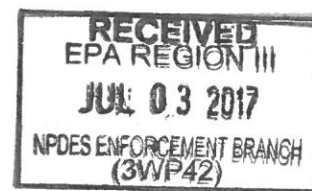


BROOKS M. SMITH
804.697.1414 telephone
804.697.1339 facsimile
brooks.smith@troutmansanders.com

TROUTMAN SANDERS

TROUTMAN SANDERS LLP
Attorneys at Law
Troutman Sanders Building
1001 Haxall Point
P.O. Box 1122 (23218-1122)
Richmond, Virginia 23219
804.697.1200 telephone
troutmansanders.com

June 30, 2017



Mr. Mark Zolandz (3WP42)
NPDES Enforcement Branch
Water Protection Division
U.S. Environmental Protection Agency
1650 Arch Street
Philadelphia, PA 19103

RE: EPA Information Requirement for Contura Energy, Inc.

Dear Mr. Zolandz:

Contura Energy, Inc. (Contura), through counsel, respectfully submits the following initial response to the above-referenced Information Requirement, which Contura received on June 1, 2017. This initial response addresses Item No. 18 in the Information Requirement. Subsequent responses addressing Item Nos. 19-21 will follow on or before July 14 and July 31, 2017, as authorized in your correspondence dated June 13, 2017.

18. In narrative form, provide a description of the business operations of Contura, including any subsidiaries. In your response include:

a. Date and state of incorporation. If this is a privately held corporation provide information on the timeframe of state operations;

Entity Name	Place of Organization	Date of Organization
Contura CAPP Land, LLC	DE	06/15/2016
Contura Coal Resources, LLC	DE	06/15/2016
Contura Coal Sales, LLC	DE	06/15/2016
Contura Coal West, LLC	DE	06/15/2016
Contura Energy Services, LLC	DE	06/15/2016
Contura Energy, Inc.	DE	06/10/2016
Contura Energy, LLC	DE	06/15/2016
Contura European Marketing, LLC	DE	06/15/2016
Contura Freeport, LLC	DE	06/15/2016

TROUTMAN SANDERS

Mr. Mark Zolandz (3WP42)
June 30, 2017
Page 2

Entity Name	Place of Organization	Date of Organization
Contura Mining Holding, LLC	DE	06/15/2016
Contura Pennsylvania Land, LLC	DE	06/15/2016
Contura Pennsylvania Terminal, LLC	DE	06/15/2016
Contura Terminal, LLC	DE	06/15/2016
Contura Wyoming Land, LLC	DE	06/15/2016
Cumberland Contura, LLC	DE	06/15/2016
Dickenson-Russell Contura, LLC	DE	06/15/2016
Emerald Contura, LLC	DE	06/15/2016
Nicholas Contura, LLC	DE	06/15/2016
Paramont Contura, LLC	DE	06/15/2016
Power Mountain Contura, LLC	DE	06/15/2016

See Attachment 18.c. for state authorizations and other company information.

b. *Years of operation;*

Since July 26, 2016 (Inception) - 11 Months.

c. *An organization chart that includes the list of officers with titles;*

See Attachment 18.c.

d. *The location of headquarters operations and locations for business operations and a list of local offices or any subsidiaries;*

Entity Name	Street Address	City	State	Zip Code
Contura CAPP Land, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Coal Resources, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Coal Sales, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Coal West, LLC	2273 Bishop Road	Gillette	WY	82718
Contura Energy Services, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Energy, Inc.	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620

**TROUTMAN
SANDERS**

Mr. Mark Zolandz (3WP42)
June 30, 2017
Page 3

Entity Name	Street Address	City	State	Zip Code
Contura Energy, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura European Marketing, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Freeport, LLC	158 Portal Road	Waynesburg	PA	15370
Contura Mining Holding, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Pennsylvania Land, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Pennsylvania Terminal, LLC	158 Portal Road	Waynesburg	PA	15370
Contura Terminal, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Contura Wyoming Land, LLC	340 Martin Luther King, Jr. Blvd.	Bristol	TN	37620
Cumberland Contura, LLC	158 Portal Road	Waynesburg	PA	15370
Dickenson-Russell Contura, LLC	2079 Herndon Road	McClure	VA	24269
Emerald Contura, LLC	158 Portal Road	Waynesburg	PA	15370
Nicholas Contura, LLC	#3 Jerry's Fork Road	Drennen	WV	26667
Paramont Contura, LLC	5703 Crutchfield Drive	Norton	VA	24273
Power Mountain Contura, LLC	#4 Jerry's Fork Road	Drennen	WV	26667

e. The Standard industrial classification code that you operate under;

Primary SIC Code: 1221 - Bituminous Coal and Lignite Surface Mining
Primary NAICS Code: 212111 - Bituminous Coal and Lignite Surface Mining

f. Number of employees;

2,265 as of 06/26/2017.

g. Annual sales and revenue from January 2012 to the present.

Copies of published financial data are included under Attachment 18.g. for the period 07/26/2016 (Inception) to 12/31/2016 and for the period 01/01/2017 to

TROUTMAN
SANDERS

Mr. Mark Zolandz (3WP42)
June 30, 2017
Page 4

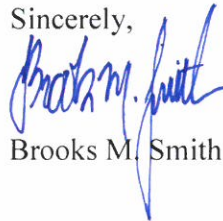
03/31/2017. The second quarter 2017 financials will be provided when publicly available.

The required certification statement is provided as Attachment A. The names and contact information for each person providing responses or consulted in the preparation of the response are provided in Attachment B.

This letter and the accompanying attachments represent Contura's good faith efforts to provide available, responsive, non-privileged documentation and information in its possession. This submission is made without waiver of any objections, defenses or other rights and should not be construed as an admission of any kind. Any inadvertent disclosure by Contura of material protected by privilege is not intended, and should not be construed to constitute a waiver of such privilege. Contura reserves the right to amend or supplement its response to provide additional relevant documents that later become known or available. Contura is not waiving its right to object to authentication of the documents produced for the purpose of admissibility in any administrative or judicial proceeding.

Should you have any questions regarding our responses, please feel free to contact me.

Sincerely,



Brooks M. Smith

BMS:hmn

Attachments

Attachment A

EPA Information Requirement Pursuant to Section 308 of the Clean Water Act
Contura Energy, Inc.

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possible of fine and imprisonment for knowing violations.

Signed

Mah M. Mann

Title

EVP, General Counsel, Secretary & CPO

Date

6/30/2017

Attachment B

EPA Information Requirement Pursuant to Section 308 of the Clean Water Act

Contura Energy, Inc.

The persons listed below provided responses or were consulted:

Scott Kreutzer – Sr. V. P. Land and Environmental Affairs - P.O. Box 848, Bristol, TN – 423-573-0300

Suzan Moore – Sr. V.P. and Deputy General Counsel - P.O. Box 848, Bristol, TN – 423-573-0300

John P. Jones – V.P. Environmental Affairs - P.O. Box 848, Bristol, TN – 423-573-0300

Barry H. Spry – Sr. Manager, Environmental Affairs - P.O. Box 848, Bristol, TN – 423-573-0300



Contura Coal West, LLC
P. O. Box 3039
Gillette, WY 82717-3039
2273 Bishop Road
Gillette, WY 82718

AVS Entity No. (258214)

Phone: (307)687-3400 Employer ID. No. 81-2965229

Formed: Delaware 06/15/2016

Qualified to do Business: WY-07/19/16

Registered Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange St.
Wilmington, DE 19801
Phone: 302-658-7581

Registered Agent WY: C T Corporation System
1908 Thomes Avenue
Cheyenne, WY 82001-3527

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253798	Shane D. Durgin	Manager	06/15/2016	
253798	Shane D. Durgin	President	06/15/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
253870	Kenneth E. Ferguson	Vice President	06/15/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	

Contura Coal West, LLC
P. O. Box 3039
Gillette, WY 82717-3039
2273 Bishop Road
Gillette, WY 82718

AVS Entity No. (258214)

Phone: (307)687-3400 Employer ID. No. 81-2965229

Formed: Delaware 06/15/2016

Qualified to do Business: WY-07/19/16

Registered Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange St.
Wilmington, DE 19801
Phone: 302-658-7581

Registered Agent WY: C T Corporation System
1908 Thomes Avenue
Cheyenne, WY 82001-3527

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 90%	06/15/2016	
258190	Contura Mining Holding, LLC	Member 10%	06/15/2016	

Contura Energy, Inc.
P. O. Box 848
Bristol, TN 37621-0848
340 Martin Luther King Jr. Boulevard
Bristol, TN 37620

AVS Entity No. (258189)

Phone: (423)573-0300 Employer ID. No. 81-3015061

Incorporated: Delaware 06/10/2016

Qualified to do Business: VA-06/30/16; TN-06/29/16; PA-03/08/2017

Resident Agent DE: The Corporation Trust Company

Corporation Trust Center

1209 Orange Street

Wilmington, DE 19801

Phone 302-658-7581

Resident Agent TN: C T Corporation System

800 South Gay Street - Suite 2021

Knoxville, TN 37929

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
247055	Gary W. Banbury	Chief Administrative Officer	07/26/2016	
247055	Gary W. Banbury	Executive Vice President	07/26/2016	
133477	Kevin S. Crutchfield	Chief Executive Officer	07/26/2016	
133477	Kevin S. Crutchfield	Director	07/26/2016	
258188	John S. DeGroote	Director	06/10/2016	07/26/2016
258188	John S. DeGroote	President	06/15/2016	07/26/2016
258188	John S. DeGroote	Secretary	06/15/2016	07/26/2016
253873	C. Andrew Eidson	Chief Financial Officer	07/26/2016	
253873	C. Andrew Eidson	Executive Vice President	07/26/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
151774	Albert E. Ferrara, Jr.	Director	07/26/2016	
253528	Victor K. Hainer	Chief Operating Officer	07/26/2016	
253528	Victor K. Hainer	Executive Vice President	07/26/2016	
252169	Bruce A. Hartshorn	Senior VP - Sales & Marketing	07/26/2016	10/28/2016
256494	Mark M. Manno	Chief Procurement Officer	07/26/2016	
256494	Mark M. Manno	Executive Vice President	07/26/2016	
256494	Mark M. Manno	General Counsel	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
258219	Jonathan Segal	Director	07/26/2016	
* 259457	Kevin L. Stanley	Chief Commercial Officer	04/28/2017	
* 259457	Kevin L. Stanley	Executive Vice President	04/28/2017	
* 259457	Kevin L. Stanley	Senior VP - Sales & Marketing	10/28/2016	04/28/2017
258220	Neale X. Trangucci	Chairman	12/09/2017	
258220	Neale X. Trangucci	Director	07/26/2016	

Contura Energy, LLC
P. O. Box 848
Bristol, TN 37621-0848
340 Martin Luther King Jr. Boulevard
Bristol, TN 37620

AVS Entity No. (258194)

Phone: (423)573-0300 Employer ID. No. 81-2970899

Formed: Delaware 06/15/2016

Qualified to do Business: VA-07/07/16 (dba Contura Energy Virginia, LLC);
TN-07/06/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
247055	Gary W. Banbury	Chief Administrative Officer	07/26/2016	
247055	Gary W. Banbury	Executive Vice President	07/26/2016	
135162	Stanley E. Bateman, Jr.	Manager	06/15/2016	07/26/2016
135162	Stanley E. Bateman, Jr.	President	06/15/2016	07/26/2016
133477	Kevin S. Crutchfield	Chief Executive Officer	07/26/2016	
253873	C. Andrew Eidson	Manager	07/26/2016	
253873	C. Andrew Eidson	President	07/26/2016	
256494	Mark M. Manno	Executive Vice President	07/26/2016	
256494	Mark M. Manno	General Counsel	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	

Contura Energy, LLC
P. O. Box 848
Bristol, TN 37621-0848
340 Martin Luther King Jr. Boulevard
Bristol, TN 37620

AVS Entity No. (258194)

Phone: (423)573-0300 Employer ID. No. 81-2970899

Formed: Delaware 06/15/2016

Qualified to do Business: VA-07/07/16 (dba Contura Energy Virginia, LLC);
TN-07/06/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258189	Contura Energy, Inc.	Member 100%	06/15/2016	

Contura Freeport, LLC
 158 Portal Road
 Waynesburg, PA 15370
 P. O. Box 1020
 Waynesburg, PA 15370

AVS Entity No. (258210)

Phone: (724) 627-7500 Employer ID. No. 81-3000855

Formed: Delaware 06/15/2016

Qualified To do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801
 Phone 302-658-7581

Resident Agent PA: C T Corporation System
 116 Pine Street - Suite 320
 Dauphin County
 Harrisburg, PA 17101

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253886	James A. Cappucci	Assistant Vice President	07/26/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
254591	J. Scott Kreutzer	Assistant Vice President	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
144617	Eric D. Salyer	Manager	06/15/2016	
144617	Eric D. Salyer	President	06/15/2016	

Contura Freeport, LLC
158 Portal Road
Waynesburg, PA 15370
P. O. Box 1020
Waynesburg, PA 15370

AVS Entity No. (258210)

Phone: (724) 627-7500 Employer ID. No. 81-3000855

Formed: Delaware 06/15/2016

Qualified To do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent PA: C T Corporation System
116 Pine Street - Suite 320
Dauphin County
Harrisburg, PA 17101

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 100%	06/15/2016	

Contura Mining Holding, LLC
 P. O. Box 848
 Bristol, TN 37621-0848
 340 Martin Luther King Jr. Boulevard
 Bristol, TN 37620

AVS Entity No. (258190)

Phone: (423)573-0300 Employer ID. No. 81-2992856

Formed: Delaware 06/15/2016

Resident Agent DE: The Corporation Trust Company
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801
 Phone 302-658-7581

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
135162	Stanley E. Bateman, Jr.	Manager	06/15/2016	07/26/2016
135162	Stanley E. Bateman, Jr.	President	06/15/2016	07/26/2016
133477	Kevin S. Crutchfield	Chief Executive Officer	07/26/2016	
253873	C. Andrew Eidson	Chief Financial Officer	07/26/2016	
253873	C. Andrew Eidson	Executive Vice President	07/26/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
256494	Mark M. Manno	General Counsel	07/26/2016	
256494	Mark M. Manno	Manager	07/26/2016	
256494	Mark M. Manno	President	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	

Contura Mining Holding, LLC
P. O. Box 848
Bristol, TN 37621-0848
340 Martin Luther King Jr. Boulevard
Bristol, TN 37620

AVS Entity No. (258190)

Phone: (423)573-0300 Employer ID. No. 81-2992856

Formed: Delaware 06/15/2016

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 100%	06/15/2016	

Contura Pennsylvania Terminal, LLC
 158 Portal Road
 Waynesburg, PA 15370
 P. O. Box 1020
 Waynesburg, PA 15370

AVS Entity No. (258211)

Phone: (724) 627-7500 Employer ID. No. 81-2963554

Formed: Delaware 06/15/2016

Qualified to do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801
 Phone 302-658-7581

Resident Agent PA: C T Corporation System
 116 Pine Street - Suite 320
 Dauphin County
 Harrisburg, PA 17101

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
250058	William D. Clay	Vice President	07/26/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
144617	Eric D. Salyer	Manager	06/15/2016	
144617	Eric D. Salyer	President	06/15/2016	

Contura Pennsylvania Terminal, LLC
158 Portal Road
Waynesburg, PA 15370
P. O. Box 1020
Waynesburg, PA 15370

AVS Entity No. (258211)

Phone: (724) 627-7500 Employer ID. No. 81-2963554

Formed: Delaware 06/15/2016

Qualified to do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent PA: C T Corporation System
116 Pine Street - Suite 320
Dauphin County
Harrisburg, PA 17101

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 100%	06/15/2016	

Cumberland Contura, LLC
 158 Portal Road
 Waynesburg, PA 15370
 P. O. Box 1020
 Waynesburg, PA 15370

AVS Entity No. (258208)

Phone: (724) 627-7500 Employer ID. No. 81-2963691

Formed: Delaware 06/15/2016

Qualified to do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801
 Phone 302-658-7581

Resident Agent PA: C T Corporation System
 116 Pine Street - Suite 320
 Dauphin County
 Harrisburg, PA 17101

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253886	James A. Cappucci	Vice President	07/26/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
252799	Ryan A. Toler	Manager	06/15/2016	
252799	Ryan A. Toler	President	06/15/2016	

Cumberland Contura, LLC
158 Portal Road
Waynesburg, PA 15370
P. O. Box 1020
Waynesburg, PA 15370

AVS Entity No. (258208)

Phone: (724)627-7500 Employer ID. No. 81-2963691

Formed: Delaware 06/15/2016

Qualified to do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent PA: C T Corporation System
116 Pine Street - Suite 320
Dauphin County
Harrisburg, PA 17101

OWNER INFORMATION

Entity No.	Owner Name	Ownership	Type	Begin Date	End Date
258194	Contura Energy, LLC	Member	90%	06/15/2016	
258190	Contura Mining Holding, LLC	Member	10%	06/15/2016	

Dickenson-Russell Contura, LLC
P. O. Box 655
Norton, VA 24273
2079 Herndon Road
McClure, VA 24269

AVS Entity No. (258197)

Phone: (276)835-3130 Employer ID. No. 81-2964113

Formed: Delaware 06/15/2016

Qualified to do Business: VA-07/05/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent VA: C T Corporation System
4701 Cox Road
Suite 285
Glen Allen, VA 23060

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
258137	Joseph P. King, Jr.	Manager	06/15/2016	07/26/2016
258137	Joseph P. King, Jr.	President	06/15/2016	07/26/2016
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
259467	Jan A. Wright	Manager	07/26/2016	
259467	Jan A. Wright	President	07/26/2016	

Dickenson-Russell Contura, LLC
P. O. Box 655
Norton, VA 24273
2079 Herndon Road
McClure, VA 24269

AVS Entity No. (258197)

Phone: (276)835-3130 Employer ID. No. 81-2964113

Formed: Delaware 06/15/2016

Qualified to do Business: VA-07/05/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent VA: C T Corporation System
4701 Cox Road
Suite 285
Glen Allen, VA 23060

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 100%	06/15/2016	

Emerald Contura, LLC
 158 Portal Road
 Waynesburg, PA 15370
 P. O. Box 1020
 Waynesburg, PA 15370

AVS Entity No. (258209)

Phone: (724) 627-7500 Employer ID. No. 81-2972177

Formed: Delaware 06/15/2016

Qualified to do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801
 Phone 302-658-7581

Resident Agent PA: C T Corporation System
 116 Pine Street - Suite 320
 Dauphin County
 Harrisburg, PA 17101

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253886	James A. Cappucci	Vice President	07/26/2016	
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
252799	Ryan A. Toler	Manager	06/15/2016	
252799	Ryan A. Toler	President	06/15/2016	

Emerald Contura, LLC
158 Portal Road
Waynesburg, PA 15370
P. O. Box 1020
Waynesburg, PA 15370

AVS Entity No. (258209)

Phone: (724)627-7500 Employer ID. No. 81-2972177

Formed: Delaware 06/15/2016

Qualified to do Business: PA-07/01/16

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent PA: C T Corporation System
116 Pine Street - Suite 320
Dauphin County
Harrisburg, PA 17101

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 100%	06/15/2016	

Nicholas Contura, LLC
P. O. Box 707
Summersville, WV 26651
#3 Jerry Fork Road
Drennen, WV 26667

AVS Entity No. (258217)

Phone: (304)872-5056 Employer ID. No. 81-2965087

Formed: Delaware 06/15/2016

Qualified to do Business: WV-07/05/16

Registered Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange St.
Wilmington, DE 19801

Registered Agent WV: C T Corporation System
5400 D Big Tyler Road
Charleston, WV 25313

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
155864	Robert C. Gordon	Manager	06/15/2016	
155864	Robert C. Gordon	President	06/15/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	

Nicholas Contura, LLC
P. O. Box 707
Summersville, WV 26651
#3 Jerry Fork Road
Drennen, WV 26667

AVS Entity No. (258217)

Phone: (304)872-5056 Employer ID. No. 81-2965087

Formed: Delaware 06/15/2016

Qualified to do Business: WV-07/05/16

Registered Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange St.
Wilmington, DE 19801

Registered Agent WV: C T Corporation System
5400 D Big Tyler Road
Charleston, WV 25313

OWNER INFORMATION

Entity No.	Owner Name	Ownership	Type	Begin Date	End Date
258194	Contura Energy, LLC	Member	90%	06/15/2016	
258190	Contura Mining Holding, LLC	Member	10%	06/15/2016	

Paramont Contura, LLC
5703 Crutchfield Drive
Norton, Virginia 24273

AVS Entity No. (258186)

Phone: (276) 679-7020 Employer ID. No. 81-2964945

Formed: Delaware 06/15/2016

Qualified to do Business: VA-07/05/2016

Resident Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange Street
Wilmington, DE 19801
Phone 302-658-7581

Resident Agent VA: C T Corporation System
4701 Cox Road
Suite 285
Glen Allen, VA 23060
P. O. Box 1463
Richmond, Virginia 23218

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
253843	Thomas M. Keith	Manager	06/15/2016	
253843	Thomas M. Keith	President	06/15/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
144754	Ronny W. Patrick	Vice President	06/15/2016	

Paramont Contura, LLC
5703 Crutchfield Drive
Norton, Virginia 24273

AVS Entity No. (258186)

Phone: (276) 679-7020 Employer ID. No. 81-2964945

Formed: Delaware 06/15/2016

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Resident Agent VA: C T Corporation System
4701 Cox Road
Suite 285
Glen Allen, VA 23060
P. O. Box 1463
Richmond, Virginia 23218

OWNER INFORMATION

Entity No.	Owner Name	Ownership	Type	Begin Date	End Date
258194	Contura Energy, LLC	Member	90%	06/15/2016	
258190	Contura Mining Holding, LLC	Member	10%	06/15/2016	

Power Mountain Contura, LLC
P. O. Box 707
Summersville, WV 26651
#4 Jerry Fork Road
Drennen, WV 26667

AVS Entity No. (258217)

Phone: (304)872-6580 Employer ID. No. 81-2963897

Formed: Delaware 06/15/2016

Qualified to do Business: WV-07/05/16

Registered Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange St.
Wilmington, DE 19801
Phone: 302-658-7581

Registered Agent WV: C T Corporation System
5400 D Big Tyler Road
Charleston, WV 25313

OFFICER INFORMATION

Entity No.	Officer	Title	Begin Date	End Date
253873	C. Andrew Eidson	Treasurer	07/26/2016	
253873	C. Andrew Eidson	Vice President	07/26/2016	
256494	Mark M. Manno	Secretary	07/26/2016	
256494	Mark M. Manno	Vice President	07/26/2016	
256087	Christopher L. Ray	Manager	06/15/2016	
256087	Christopher L. Ray	President	06/15/2016	

Power Mountain Contura, LLC
P. O. Box 707
Summersville, WV 26651
#4 Jerry Fork Road
Drennen, WV 26667

AVS Entity No. (258217)

Phone: (304)872-6580 Employer ID. No. 81-2963897

Formed: Delaware 06/15/2016

Qualified to do Business: WV-07/05/16

Registered Agent DE: The Corporation Trust Company
Corporation Trust Center
1209 Orange St.

Wilmington, DE 19801

Phone: 302-658-7581

Registered Agent WV: C T Corporation System
5400 D Big Tyler Road
Charleston, WV 25313

OWNER INFORMATION

Entity No.	Owner Name	Ownership Type	Begin Date	End Date
258194	Contura Energy, LLC	Member 100%	06/15/2016	

CONTURA ENERGY, INC.



CONSOLIDATED FINANCIAL STATEMENTS AND REPORT AS OF DECEMBER 31, 2016 AND FOR THE PERIOD FROM JULY 26, 2016 (INCEPTION) TO DECEMBER 31, 2016

Date published: March 31, 2017

Contura Energy, Inc.

340 Martin Luther King Jr. Blvd.
Bristol, Tennessee 37620
(423) 573-0300

State of incorporation: Delaware

I.R.S. Employer Identification Number: 81-3015061

Number of shares of Common Stock, \$0.01 par value, outstanding as of December 31, 2016: 10,309,310.

TABLE OF CONTENTS

<u>Report of Independent Registered Public Accounting Firm</u>	<u>4</u>
<u>Financial Statements and Supplementary Data</u>	<u>5</u>
<u>Consolidated Statement of Operations</u>	<u>5</u>
<u>Consolidated Statement of Comprehensive Income (Loss)</u>	<u>6</u>
<u>Consolidated Balance Sheet</u>	<u>7</u>
<u>Consolidated Statement of Cash Flows</u>	<u>8</u>
<u>Consolidated Statement of Stockholders' Equity</u>	<u>10</u>
<u>Notes to Consolidated Financial Statements</u>	<u>11</u>
<u>(1) Business and Basis of Presentation</u>	<u>11</u>
<u>(2) Summary of Significant Accounting Policies</u>	<u>11</u>
<u>(3) Acquisition</u>	<u>17</u>
<u>(4) Accumulated Other Comprehensive Income (Loss)</u>	<u>19</u>
<u>(5) Earnings (Loss) Per Share</u>	<u>19</u>
<u>(6) Inventories, net</u>	<u>19</u>
<u>(7) Prepaid Expenses and Other Current Assets</u>	<u>19</u>
<u>(8) Property, Plant, and Equipment, Net</u>	<u>19</u>
<u>(9) Accrued Expenses and Other Current Liabilities</u>	<u>20</u>
<u>(10) Long-Term Debt</u>	<u>20</u>
<u>(11) Acquisition-Related Obligations</u>	<u>22</u>
<u>(12) Asset Retirement Obligations</u>	<u>25</u>
<u>(13) Other Non-Current Liabilities</u>	<u>25</u>
<u>(14) Fair Value of Financial Instruments and Fair Value Measurements</u>	<u>26</u>
<u>(15) Warrants</u>	<u>28</u>
<u>(16) Income Taxes</u>	<u>28</u>
<u>(17) Employee Benefit Plans</u>	<u>31</u>
<u>(18) Stock-Based Compensation Awards</u>	<u>35</u>
<u>(19) Related Party Transactions</u>	<u>37</u>
<u>(20) Commitments and Contingencies</u>	<u>37</u>
<u>(21) Concentration of Credit Risk and Major Customers</u>	<u>39</u>
<u>(22) Segment Information</u>	<u>40</u>
<u>(23) Subsequent Events</u>	<u>41</u>
<u>Glossary of Selected Terms</u>	<u>42</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>43</u>
<u>Results of Operations</u>	<u>45</u>
<u>Quarterly Financial Information</u>	<u>49</u>
<u>Liquidity and Capital Resources</u>	<u>50</u>
<u>Contractual Obligations</u>	<u>54</u>
<u>Critical Accounting Policies and Estimates</u>	<u>55</u>

Report of Independent Registered Public Accounting Firm

The Board of Directors
Contura Energy, Inc.:

We have audited the accompanying consolidated balance sheet of Contura Energy, Inc. and its subsidiaries (the Company) as of December 31, 2016, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the period from July 26, 2016 (inception) to December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Contura Energy, Inc. and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the period from July 26, 2016 (inception) to December 31, 2016 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Roanoke, Virginia
March 31, 2017

Financial Statements and Supplementary Data

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Amounts in thousands, except share and per share data)

	Period from July 26, 2016 (inception) to December 31, 2016
Revenues:	
Coal revenues	\$ 612,247
Freight and handling revenues	70,544
Other revenues	6,628
Total revenues	<u>689,419</u>
Costs and expenses:	
Cost of coal sales (exclusive of items shown separately below)	468,051
Freight and handling costs	70,544
Other expenses	2,559
Depreciation, depletion and amortization	43,978
Amortization of acquired intangibles, net	61,281
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	19,135
Mark-to-market adjustment - acquisition-related obligations	<u>(10,616)</u>
Total costs and expenses	<u>654,932</u>
Income from operations	<u>34,487</u>
Other income (expense):	
Interest expense	(20,792)
Interest income	23
Mark-to-market adjustment for warrant derivative liability	(33,975)
Bargain purchase gain	7,719
Miscellaneous income, net	<u>239</u>
Total other expense, net	<u>(46,786)</u>
Loss before income taxes	<u>(12,299)</u>
Income tax benefit	1,369
Net loss	<u>\$ (10,930)</u>
Basic loss per common share	\$ (1.06)
Diluted loss per common share	\$ (1.06)
Weighted average shares - basic	10,309,310
Weighted average shares - diluted	10,309,310

See accompanying Notes to Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)

	Period from July 26, 2016 (inception) to December 31, 2016
Net loss	\$ (10,930)
Other comprehensive income (loss), net of tax:	
Current period actuarial gain on employee benefit plans, net of income tax of (\$1,181)	2,087
Total comprehensive loss	<u>\$ (8,843)</u>

See accompanying Notes to Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Amounts in thousands, except share and per share data)

	December 31, 2016
Assets	
Current assets:	
Cash and cash equivalents	\$ 127,948
Trade accounts receivable, net	182,600
Inventories, net	75,399
Assets held for sale	1,714
Prepaid expenses and other current assets	37,555
Total current assets	425,216
Property, plant, and equipment, net	317,013
Other acquired intangibles (net of accumulated amortization of \$61,851)	87,149
Long-term restricted cash	43,341
Long-term deposits	55,501
Other non-current assets	18,532
Total assets	<u>\$ 946,752</u>
Liabilities and Stockholders' Equity	
Current liabilities:	
Current portion of long-term debt	\$ 2,324
Trade accounts payable	98,166
Acquisition-related obligations - current	27,258
Accrued expenses and other current liabilities	90,864
Total current liabilities	218,612
Long-term debt	346,837
Acquisition-related obligations - long-term	59,088
Asset retirement obligations	187,097
Other non-current liabilities	97,894
Total liabilities	909,528
Commitments and Contingencies (Note 20)	
Stockholders' Equity	
Preferred stock - par value \$0.01, 2.0 million shares authorized, none issued	—
Common stock - par value \$0.01, 20.0 million shares authorized, 10.3 million issued and outstanding at December 31, 2016	103
Additional paid-in capital	45,964
Accumulated other comprehensive income	2,087
Accumulated deficit	(10,930)
Total stockholders' equity	37,224
Total liabilities and stockholders' equity	<u>\$ 946,752</u>

See accompanying Notes to Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	Period from July 26, 2016 (inception) to December 31, 2016
Operating activities:	
Net loss	\$ (10,930)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation, depletion and amortization	43,978
Amortization of acquired intangibles, net	61,281
Accretion of acquisition-related obligations discount	4,936
Mark-to-market adjustment for warrants derivative liability	33,975
Mark-to-market adjustment for acquisition-related obligations	(10,616)
Bargain purchase gain	(7,719)
Accretion of asset retirement obligations	10,819
Employee benefit plans, net	3,154
Other, net	1,637
Changes in operating assets and liabilities:	
Trade accounts receivable, net	(114,244)
Inventories, net	(32,046)
Prepaid expenses and other current assets	(1,096)
Long-term restricted cash	49,459
Long-term deposits	(55,407)
Other non-current assets	(14,681)
Trade accounts payable	59,242
Accrued expenses and other current liabilities	51,053
Asset retirement obligations	(514)
Acquisition-related obligations	(9,300)
Other non-current liabilities	5,199
Net cash provided by operating activities	68,180
Investing activities:	
Capital expenditures	(34,497)
Proceeds from sale of property, plant and equipment	1,787
Cash acquired in acquisition	51,000
Net cash provided by investing activities	18,290
Financing activities:	
Proceeds from borrowings on long-term debt	42,500
Principal repayments of capital lease and capital financing obligations	(243)
Debt issuance costs	(243)
Principal repayments of notes payable	(536)
Net cash provided by financing activities	41,478
Net increase in cash and cash equivalents	127,948
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	\$ 127,948

Supplemental cash flow information:

Cash paid for interest	\$	356
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Supplemental disclosure of non-cash investing and financing activities:

Capital leases and capital financing - equipment	\$	3,473
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Accrued capital expenditures	\$	4,778
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Issuance of equity in connection with acquisition	\$	44,644
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Issuance of 10% Senior Secured First Lien Notes in connection with acquisition	\$	285,936
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Issuance of GUC Distribution Note in connection with acquisition	\$	4,208
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Issuance of warrants in connection with acquisition	\$	1,167
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See accompanying Notes to Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Amounts in thousands)

	Common Stock		Additional	Accumulated		Total
	Shares	Amount	Paid-in	Other	Accumulated	Stockholders'
			Capital	Comprehensive	Deficit	Equity
Balances, July 26, 2016 (inception)	—	\$ —	\$ —	\$ —	\$ —	\$ —
Issuance of common stock in connection with acquisition	10,000	100	44,544	—	—	44,644
Net loss	—	—	—	—	(10,930)	(10,930)
Other comprehensive income	—	—	—	2,087	—	2,087
Stock-based compensation and net issuance of common stock for share vesting	309	3	1,420	—	—	1,423
Balances, December 31, 2016	<u>10,309</u>	<u>\$ 103</u>	<u>\$ 45,964</u>	<u>\$ 2,087</u>	<u>\$ (10,930)</u>	<u>\$ 37,224</u>

See accompanying Notes to Consolidated Financial Statements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

(1) Business and Basis of Presentation

Business

Contura Energy, Inc. and its consolidated subsidiaries (“Contura” or the “Company”) is a private, Tennessee-based company with affiliate mining operations across multiple major coal basins in Pennsylvania, Virginia, West Virginia and Wyoming. With customers across the globe, high-quality reserves, and significant port capacity, Contura supplies both metallurgical coal to produce steel and thermal coal to generate power. Contura was formed to acquire and operate certain of Alpha Natural Resources, Inc.’s (“Alpha”) former core coal operations (see Note 3), as part of the Alpha bankruptcy restructuring. Contura began operations on July 26, 2016, with mining complexes in Northern Appalachia (Cumberland mine complex), the Powder River Basin (Belle Ayr and Eagle Butte complexes), and three Central Appalachian mining complexes (the Nicholas mine complex in Nicholas County, West Virginia, and the McClure and Toms Creek mine complexes in Virginia).

Contura also acquired Alpha’s interest in the Dominion Terminal Associates coal export terminal in eastern Virginia.

Basis of Presentation

The Consolidated Financial Statements include Contura and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Company’s Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include inventories; mineral reserves; allowance for non-recoupable advanced mining royalties; asset impairments; reclamation obligations; postemployment and other employee benefit obligations; useful lives for depreciation, depletion and amortization; reserves for workers’ compensation and black lung claims; current and deferred income taxes; reserves for contingencies and litigation; and fair value of financial instruments. Estimates are based on facts and circumstances believed to be reasonable at the time; however, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held with reputable depository institutions and highly liquid, short-term investments with original maturities of three months or less. Cash and cash equivalents are stated at cost, which approximates fair market value. At December 31, 2016, the Company’s cash equivalents consisted of highly rated money market funds.

Restricted Cash

Restricted cash represents cash deposits that are restricted as to withdrawal as required by certain agreements entered into by the Company and provide collateral in the amounts of \$11,195, \$28,146 and \$4,000 as of December 31, 2016 for securing the Company’s obligations under certain worker’s compensation, reclamation related bonds and financial guarantees, respectively, which have been written on the Company’s behalf. The Company’s restricted cash is primarily invested in interest bearing accounts.

Deposits

Deposits represent cash deposits held at third parties as required by certain agreements entered into by the Company to provide cash collateral. At December 31, 2016, the Company had cash collateral in the form of deposits to secure the Company’s obligations under reclamation related bonds and various other operating agreements in the amounts of \$52,578 and \$2,923, respectively.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes provisions for losses on accounts receivable when it is probable that all or part of the outstanding balance will not be collected. The Company regularly reviews its accounts receivable balances and establishes or adjusts the allowance as necessary primarily using the specific identification method. The allowance for doubtful accounts was \$0 at December 31, 2016. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Coal is reported as inventory at the point in time the coal is extracted from the mine. Raw coal represents coal stockpiles that may be sold in current condition or may be further processed prior to shipment to a customer. Saleable coal represents coal stockpiles which require no further processing prior to shipment to a customer.

Coal inventories are stated at the lower of cost or net realizable value. The cost of coal inventories is determined based on the average cost of production, which includes labor, supplies, equipment costs, operating overhead, depreciation, and other related costs. Net realizable value considers the projected future sales price of the product, less estimated preparation and selling costs.

Material and supplies inventories are valued at average cost, less an allowance for obsolete and surplus items.

Assets Held for Sale

The criteria to determine whether an asset should be classified as held-for-sale include: management with the authority to do so commits to a plan to sell the asset; the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; the sale of the asset is probable and expected to be completed within one year; the asset is being actively marketed for sale at a price that is reasonable in relation to its current value; and it is unlikely that significant changes to the plan will be made. If each of these criteria is met, the property is classified as held for sale on the Company's Consolidated Balance Sheet and measured at the lower of its carrying amount or estimated fair value less costs to sell. Depreciation, depletion and amortization expense is not recorded on assets to be divested once they are classified as held for sale. Assets held for sale of \$1,714 as of December 31, 2016 represents the fair value of fixed assets at a closed mine within the Company's Northern Appalachia Operations segment.

Deferred Longwall Move Expenses

The Company defers the direct costs, including labor and supplies, associated with moving longwall equipment, the related equipment refurbishment costs, costs to drill gob gas vent holes and plug existing gas wells in advance of the longwall panel in prepaid expenses and other current assets. These deferred costs are amortized on a units-of-production basis into cost of coal sales over the life of the related panel of coal mined by the longwall equipment. As of December 31, 2016, the amount of deferred longwall move expenses was \$5,264.

Advanced Mining Royalties

Lease rights to coal reserves are often acquired in exchange for royalty payments. Advance mining royalties are advance payments made to lessors under terms of mineral lease agreements that are recoupable against future production royalties. These advance payments are deferred and charged to operations as the coal reserves are mined. The Company regularly reviews recoverability of advance mining royalties and establishes or adjusts the allowance for advance mining royalties as necessary using the specific identification method. Advance royalty balances are generally charged off against the allowance when they are no longer recoupable.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Advanced mining royalties (net of allowance) of \$1,417 as of December 31, 2016, are reported in other non-current assets in the Consolidated Balance Sheet. The changes in the allowance for advance mining royalties reported in other non-current assets in the Consolidated Balance Sheet were as follows:

Balance at July 26, 2016	\$ —
Provision for non-recoupable advance mining royalties	225
Balance at December 31, 2016	<u>\$ 225</u>

Property, Plant, and Equipment

Costs for mine development incurred to expand capacity of operating mines or to develop new mines are capitalized and charged to operations on the units-of-production method over the estimated proven and probable reserve tons directly benefiting from the capital expenditures. Mine development costs include costs incurred for site preparation and development of the mines during the development stage less any incidental revenue generated during the development stage. Mining equipment, buildings and other fixed assets are stated at cost and depreciated on a straight-line basis over estimated useful lives ranging from one to 25 years. Leasehold improvements are amortized using the straight-line method, over the shorter of the estimated useful lives or term of the lease. Major repairs and betterments that significantly extend original useful lives or improve productivity are capitalized and depreciated over the period benefited. Maintenance and repairs are expensed as incurred. When equipment is retired or disposed, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposal is recognized in cost of coal sales. Costs to obtain owned and leased mineral rights are capitalized and amortized to operations as depletion expense using the units-of-production method. Only proven and probable reserves are included in the depletion base.

Acquired Intangibles

Application of acquisition accounting resulted in the recognition of assets for above market-priced coal supply agreements and liabilities for below market-priced coal supply agreements on the date of the acquisition. The coal supply agreements were valued based on the present value of the difference between the expected net contractual cash flows based on the stated contract terms, and the estimated net contractual cash flows derived from applying forward market prices at the acquisition date for new contracts of similar terms and conditions. The coal supply agreement liabilities were completely amortized as of December 31, 2016. The coal supply agreement assets are being amortized over the actual number of tons shipped under each contract and will be amortized over a weighted average useful life of approximately 16 months. Coal supply agreement assets are reported in other acquired intangibles and coal supply agreement liabilities are reported in other non-current liabilities in the Consolidated Balance Sheet.

	July 26, 2016 Acquisition value	Accumulated amortization	December 31, 2016 Balance, net
Assets:			
Above-market coal supply agreements	\$ 149,000	\$ (61,851)	\$ 87,149
Liabilities:			
Below-market coal supply agreements	\$ 570	\$ (570)	—

Amortization of other acquired intangible assets was \$61,851 of expense and amortization of other non-current liabilities was a credit to expense of (\$570) resulting in a net expense of \$61,281 for the period from July 26, 2016 to December 31, 2016, which is reported as amortization of acquired intangibles, net in the Consolidated Statement of Operations. Future net amortization expense related to acquired intangibles is expected to be as follows:

2017	\$ (69,669)
2018	(14,650)
2019	(1,870)
2020	(960)
Total net future amortization expense	<u>\$ (87,149)</u>

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Asset Impairment and Disposal of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset groups may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group. Long-lived assets located in a close geographic area are grouped together for purposes of impairment testing when, after considering revenue and cost interdependencies, circumstances indicate the assets are used together to produce future cash flows. The Company's asset groups generally consist of the assets and applicable liabilities of one or more mines and preparation plants and associated coal reserves for which cash flows are largely independent of cash flows of other mines, preparation plants and associated coal reserves. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, the potential impairment is equal to the amount by which the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. The amount of impairment, if any, is allocated to the long-lived assets on a pro-rata basis, except that the carrying value of the individual long-lived assets are not reduced below their estimated fair value. Assets to be disposed would separately be presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the Consolidated Balance Sheet. There were no asset impairments during the period from July 26, 2016 to December 31, 2016.

Asset Retirement Obligations

Minimum standards for mine reclamation have been established by various regulatory agencies and dictate the reclamation requirements at the Company's operations. The Company's asset retirement obligations consist principally of costs to reclaim acreage disturbed at surface operations, estimated costs to reclaim support acreage, treat mine water discharge and perform other related functions at underground mines. The Company records these reclamation obligations at fair value in the period in which the legal obligation associated with the retirement of the long-lived asset is incurred. Changes to the liability at operations that are not currently being reclaimed are offset by increasing or decreasing the carrying amount of the related long-lived asset. Changes to the liability at operations that are currently being reclaimed are recorded to depreciation, depletion and amortization. Over time, the liability is accreted and any capitalized cost is depreciated or depleted over the useful life of the related asset. To settle the liability, the obligation is paid, and to the extent there is a difference between the liability and the amount of cash paid, a gain or loss upon settlement is recorded. The Company annually reviews its estimated future cash flows for its asset retirement obligations. See Note 12 for further disclosures related to asset retirement obligations.

Income Taxes

The Company recognizes deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax basis of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating its ability to recover deferred tax assets within the jurisdiction in which they arise, the Company considers all available positive and negative evidence, including the expected reversals of taxable temporary differences, projected future taxable income, taxable income available via carryback to prior years, tax planning strategies, and results of recent operations. See Note 16 for further disclosures related to income taxes.

Revenue Recognition

The Company earns revenues primarily through the sale of coal produced at Company operations and coal purchased from third parties. The Company recognizes revenue using the following general revenue recognition criteria: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred or services have been rendered; 3) the price to the buyer is fixed or determinable; and 4) collectability is reasonably assured.

Delivery on our coal sales is determined to be complete for revenue recognition purposes when title and risk of loss has passed to the customer in accordance with stated contractual terms and there are no other future obligations related to the shipment. For domestic shipments, title and risk of loss generally passes as the coal is loaded into transport carriers for delivery to the customer. For international shipments, title generally passes at the time coal is loaded onto the shipping vessel.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Freight and handling costs paid to third-party carriers and invoiced to coal customers are recorded as freight and handling costs and freight and handling revenues, respectively.

Deferred Financing Costs

The costs to obtain new debt financing or amend existing financing agreements are generally deferred and amortized to interest expense over the life of the related indebtedness or credit facility using the effective interest method. Unamortized deferred financing costs are presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums.

Workers' Compensation and Pneumoconiosis (Black Lung) Benefits

Workers' Compensation

The Company primarily utilizes high-deductible insurance programs for workers' compensation claims at its operations. The liabilities for workers' compensation claims are estimates of the ultimate losses incurred based on the Company's experience, and include a provision for incurred but not reported losses. Adjustments to the probable ultimate liabilities are made annually based on an actuarial study and adjustments to the liability are recorded based on the results of this study. These obligations are included in the Consolidated Balance Sheet as accrued expenses and other current liabilities and other non-current liabilities.

Black Lung Benefits

The Company is required by federal and state statutes to provide benefits to employees for awards related to black lung. The Company utilizes high-deductible insurance programs for these benefits. Charges are made to operations for black lung claims, as determined by an independent actuary at the present value of the actuarially computed liability for such benefits over the employee's applicable term of service. The Company recognizes in its balance sheet the amount of the Company's unfunded Accumulated Benefit Obligation ("ABO") at the end of the year. Amounts recognized in accumulated other comprehensive income (loss) are adjusted out of accumulated other comprehensive income (loss) when they are subsequently recognized as components of net periodic benefit cost. See Note 17 for further disclosures related to black lung benefits.

Life Insurance Benefits

As part of the Alpha bankruptcy restructuring and the Retiree Committee Settlement Agreement (see Note 11), the Company assumed the liability for life insurance benefits for certain disabled and non-union retired employees. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. Adjustments to the probable ultimate liabilities are made annually based on an actuarial study and adjustments to the liability are recorded based on the results of this study. These obligations are included in the Consolidated Balance Sheet as accrued expenses and other current liabilities and other non-current liabilities.

Earnings (Loss) Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of outstanding common shares for the period. Diluted earnings per share reflects the potential dilution that could occur if instruments that may require the issuance of common shares in the future were settled and the underlying common shares were issued. Diluted earnings per share is computed by increasing the weighted-average number of outstanding common shares computed in basic earnings per share to include the additional common shares that would be outstanding after issuance and adjusting net income for changes that would result from the issuance. Only those securities that are dilutive are included in the calculation. See Note 5 for further disclosures related to earnings per share.

Stock-Based Compensation

The Company recognizes expense for stock-based compensation awards based on their grant-date fair value. The expense is recorded over the respective service period of the underlying award. See Note 18 for further disclosures related to stock-based compensation arrangements.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Warrants

The Company issued Series A Warrants on July 26, 2016 and classified the warrants as a derivative liability as they possess an underlying amount (stock price), a notional amount (number of shares), require no initial net investment, and allow for net share settlement. The warrants are fair-valued using a Black-Scholes pricing model and result in a mark to market non-cash adjustment at each reporting period with changes in value reflected in earnings. See Note 15 for further disclosures related to warrants.

Equity Method Investments

Investments in unconsolidated affiliates that the Company has the ability to exercise significant influence over, but not control, are accounted for under the equity method of accounting. Under the equity method of accounting, the Company records its proportionate share of the entity's net income or loss at each reporting period in the Consolidated Statement of Operations in miscellaneous income, net, with a corresponding entry to increase or decrease the carrying value of the investment.

New Accounting Pronouncements

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. These updates are effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities) and interim periods within those annual periods. Early adoption is permitted. The Company has not yet selected a transition method and is still evaluating the effect of the standard on its ongoing financial reporting.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). ASU 2015-16 requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The new standard is effective for annual reporting periods beginning after December 15, 2017 (December 15, 2016 for public entities) and interim periods within those annual periods. Early adoption is permitted. The Company adopted ASU 2015-16 during the period from July 26, 2016 to December 31, 2016.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). The standard requires companies to classify all deferred tax assets and liabilities as noncurrent in a classified statement of financial position. The new standard is effective for annual periods beginning after December 15, 2017 (December 15, 2016 for public entities) and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted and the Company adopted ASU 2015-17 during the period from July 26, 2016 to December 31, 2016.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). The amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for annual periods beginning after December 15, 2018 (December 15, 2017 for public entities) and interim periods within those annual periods. Early adoption is not permitted. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), Amendments to the FASB Accounting Standards Codification ("ASU 2016-02"). ASU 2016-02 is a comprehensive new lease standard that amends various aspects of existing guidance for leases and requires additional disclosures about leasing arrangements. It will require lessees to recognize lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. Topic 842 retains a distinction between finance leases and operating leases. It is effective for annual periods beginning after December 15, 2019 (December 15, 2018 for public entities) and interim periods within those annual periods. Early adoption is permitted. In the financial statements in which the ASU is first applied, leases shall be measured and recognized at the beginning of the earliest comparative period presented with an adjustment to equity. Practical expedients are available for election as a package and if

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

applied consistently to all leases. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09 Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017 (December 15, 2016 for public entities), and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted and the Company adopted ASU 2016-09 during the period from July 26, 2016 to December 31, 2016.

In August 2016, the FASB issued ASU 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) (“ASU 2016-15”). The amendments in this Update provide guidance on the presentation of certain issues in the statement of cash flows. ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company has not yet selected a transition method and is still evaluating the effect of the standard on its ongoing financial reporting.

In October 2016, the FASB issued ASU 2016-16 Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”). The amendments in this Update address the income tax accounting of intra-entity transfers. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted in the first interim period of a fiscal year. The Company does not expect a material impact on its financial statements and disclosures.

In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). The amendments in this Update provide guidance on restricted cash presentation in the statement of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within annual periods beginning after December 15, 2019 (December 15, 2017 for public entities). Early adoption is permitted. The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-01 Business Combinations (Topic 805) (“ASU 2017-01”). The amendments in this Update provide guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within annual periods beginning after December 15, 2019 (December 15, 2017 for public entities). The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07 Compensation - Retirement Benefits (Topic 715) (“ASU 2017-07”). The amendments in this Update provide guidance on the presentation of retirement benefits. ASU 2017-07 is effective for annual reporting periods beginning after December 15, 2018 (December 15, 2017 for public entities), and interim periods within annual periods beginning after December 15, 2019 (December 15, 2017 for public entities). The Company is currently evaluating the impact this guidance will have on financial statements and disclosures.

(3) Acquisition

On July 26, 2016, a consortium of former Alpha creditors acquired Company common stock in exchange for a partial release of their creditor claims pursuant to the Alpha bankruptcy settlement. Alpha was a coal producer with operations in Central Appalachia, Northern Appalachia, and the Powder River Basin. The Company acquired certain core coal assets of Alpha, which are located primarily in Pennsylvania, Virginia, West Virginia, and Wyoming.

Purchase Price

The purchase price of \$335,955 consisted of the following:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Fair value of common stock issued	\$ 44,644
Issuance of 10% Senior Secured First Lien Notes (net of discount of \$14,064)	285,936
Issuance of GUC Distribution Note (net of discount of \$1,292)	4,208
Issuance of warrants	1,167
Purchase Price	<u>\$ 335,955</u>

Allocation of Purchase Price

The total purchase price has been preliminarily allocated to the net tangible and intangible assets as of July 26, 2016 as follows:

Cash and cash equivalents	\$ 51,000
Trade accounts receivable	68,355
Inventories	43,705
Assets held for sale	2,178
Prepaid expenses and other current assets	36,493
Property, plant, and equipment	348,407
Other acquired intangibles	149,000
Long-term restricted cash	92,800
Long-term deposits	94
Other non-current assets	3,688
Total assets	<u>\$ 795,720</u>
Current portion of long-term debt	\$ 1,112
Trade accounts payable	39,993
Acquisition-related obligations - current ⁽¹⁾	42,235
Accrued expenses and other current liabilities	42,905
Long-term debt	11,720
Acquisition-related obligations - long-term ⁽¹⁾	59,092
Asset retirement obligations	196,487
Other non-current liabilities	58,502
Total liabilities	<u>452,046</u>
Bargain purchase gain	<u>7,719</u>
Allocation of purchase price	<u>\$ 335,955</u>

⁽¹⁾ See Note 11.

The above purchase price allocation includes provisional amounts for certain assets and liabilities. The purchase price allocation will continue to be refined during the one-year measurement period, which will end no later than July 26, 2017, under acquisition accounting primarily in the area of income taxes and other contingencies. During the measurement period, the Company expects to receive additional detailed information to refine the provisional allocation presented above.

Through the acquisition, the Company recognized a bargain purchase gain of \$7,719 which resulted from the excess of the fair value of the acquired assets over liabilities assumed through the acquisition. The bargain purchase gain was recognized within other income (expense) within the Consolidated Statement of Operations for the period from July 26, 2016 to December 31, 2016. The bargain purchase gain is not recognized for tax purposes.

The acquisition occurred on July 26, 2016, which was the beginning of the Company's annual reporting period. Therefore, supplemental pro forma information is not presented.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

(4) Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes to accumulated other comprehensive income (loss) during the period from July 26, 2016 to December 31, 2016:

	Balance July 26, 2016	Other comprehensive income (loss) before reclassifications	Amounts reclassified from accumulated other comprehensive income (loss)	Balance December 31, 2016
Employee benefit costs	\$ —	\$ 2,087	\$ —	\$ 2,087

(5) Earnings (Loss) Per Share

The number of shares used to calculate basic earnings per common share is based on the weighted average number of the Company's outstanding common shares during the respective periods. The number of shares used to calculate diluted earnings per common share is based on the number of common shares used to calculate basic earnings per share plus the dilutive effect of stock options and other stock-based instruments held by the Company's employees and directors during each period, and the Company's outstanding Series A warrants. The warrants become dilutive for earnings per common share calculations when the market price of the Company's common stock exceeds the exercise price. In periods of net loss, the number of shares used to calculate diluted earnings per share is the same as basic earnings per share.

(6) Inventories, net

Inventories, net consisted of the following:

	December 31, 2016
Raw coal	\$ 5,055
Saleable coal	58,376
Materials, supplies and other, net	11,968
Total inventories, net	\$ 75,399

(7) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	December 31, 2016
Prepaid insurance	\$ 2,073
Maintenance and repairs contract	3,480
Deferred longwall move expenses	5,264
Refundable income taxes	1,305
Prepaid property tax	2,804
Prepaid freight	9,065
Other non-trade receivables	4,146
Other prepaid expenses	9,418
Total prepaid expenses and other current assets	\$ 37,555

(8) Property, Plant, and Equipment, Net

Property, equipment, and equipment, net consisted of the following:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	December 31, 2016
Plant and mining equipment	\$ 171,846
Owned and leased mineral rights ⁽¹⁾	126,219
Mine development	10,750
Land	24,684
Office equipment, software and other	978
Construction in progress	34,009
Total property, plant, and equipment	368,486
Less accumulated depreciation, depletion and amortization	51,473
Total property, plant, and equipment, net	<u>\$ 317,013</u>

⁽¹⁾ Amount relates to capitalized asset retirement obligation costs associated with active mining operations.

Included in plant and mining equipment are assets under capital leases totaling \$2,888 with accumulated depreciation of \$231 as of December 31, 2016.

Depreciation, depletion and amortization expense associated with property, plant and equipment, net was \$43,978 for the period from July 26, 2016 to December 31, 2016, which includes a credit of (\$7,656) related to cash flow revisions to asset retirement obligations on closed sites. See Note 12 for further disclosures related to asset retirement obligations.

(9) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31, 2016
Wages and benefits	\$ 32,020
Current portion of asset retirement obligations	4,298
Taxes other than income taxes	13,208
Interest payable	13,574
Deferred revenue	3,780
Maintenance and repairs contract liability	8,541
Freight accrual	3,006
Other	12,437
Total accrued expenses and other current liabilities	<u>\$ 90,864</u>

(10) Long-Term Debt

Long-term debt consisted of the following:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	December 31, 2016
Term Facility ⁽¹⁾	\$ 42,500
LC Facility	—
Closing Tranche Term Loan - due January 2018 ⁽¹⁾	8,500
GUC Distribution Note - due January 2018 ⁽¹⁾	5,500
10% Senior Secured First Lien Notes - due August 2021 ⁽¹⁾	300,000
Other	7,024
Debt discount and issuance costs	(14,363)
Total long-term debt	349,161
Less current portion	(2,324)
Long-term debt, net of current portion	\$ 346,837

⁽¹⁾ On March 17, 2017, the Company entered into a \$400,000 Term Loan Credit Facility with a maturity date on March 17, 2024. In connection with the transaction, the Company will pay all of its outstanding 10.00% Senior Secured First Lien Notes due 2021. The proceeds of the Term Loan Credit Facility will also be used to repay the Term Facility due 2020, the Closing Tranche Term Loan due 2018 and the GUC Distribution Note due 2018. See Note 24 for further disclosures on this subsequent event.

Asset-Based Term Loan Credit Agreement

On July 26, 2016, the Company entered into an Asset-Based Term Loan Credit Agreement (“ABL Facility”) with Credit Suisse Loan Funding LLC, as lender, Wilmington Trust, National Association, as administrative agent and collateral agent, and Citigroup Global Markets Inc., as sole lead arranger. Under the ABL Facility, the lender provided commitments to the Company for (i) the term loan credit facility (“Term Facility”) in an aggregate principal amount of \$42,500, (ii) a cash collateralized letter of credit facility (“LC Facility”), which provided for the issuance of letters of credit secured by 105% cash collateral, and (iii) the Closing Tranche Term Loan, in each case, on the terms and subject to the conditions set forth therein. These commitments by the lender were secured by certain eligible accounts receivable and eligible inventory.

Loans under the Term Facility had an interest rate of LIBOR plus a margin of 5% (subject to a LIBOR floor of 1%) and matured on July 26, 2020. The LC Facility was available at any time and from time to time commencing on the effective date until five days prior to the LC termination date of July 26, 2020. The Closing Tranche Term Loan had an aggregate principal amount of \$8,500, an interest rate of LIBOR plus a margin of 5% (subject to a LIBOR floor of 1%), and a maturity of January 26, 2018. As of December 31, 2016, the interest rate of the Closing Tranche Term Loan was 6%.

The Company did not have any letters of credit outstanding under the LC Facility as of December 31, 2016.

GUC Distribution Note

On July 26, 2016, the Company entered into a \$5,500 promissory note (“GUC Distribution Note”) agreement with U.S. Bank National Association, as nominee and agent for the benefit of the holders of Allowed Category I General Unsecured Claims pursuant to the Alpha bankruptcy restructuring. The GUC Distribution Note had no interest and a maturity date of January 26, 2018.

10% Senior Secured First Lien Notes

On July 26, 2016, the Company and Wilmington Trust, National Association, as trustee and collateral agent, entered into an indenture governing the Company’s issuance of the 10.00% Senior Secured First Lien Notes (“Senior Secured First Lien Notes”), initially in an aggregate principal amount of \$300,000.

Unless earlier paid or deemed paid, the Senior Secured First Lien Notes had a maturity of August 1, 2021 (the “Maturity Date”), and, on the Maturity Date, the Company would have paid each holder of notes \$1 in cash for each \$1 principal amount of the Senior Secured First Lien Notes held, together with accrued and unpaid interest to, but not including, the Maturity Date. The Senior Secured First Lien Notes accrued interest at a rate equal to 10% per annum from the most recent date to which

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

interest had been paid or duly provided for, or, if no interest had been paid or duly provided for, the issue date, until the date the principal amount of such Senior Secured First Lien Notes was paid or deemed paid. Interest was payable semi-annually in arrears on February 1 and August 1 of each year, beginning February 1, 2017, to the registered holder of each such Senior Secured First Lien Note as of the close of business on January 15 and July 15, as the case may have been, immediately preceding the applicable interest payment date (each such date, a “Regular Record Date”), regardless of whether such Senior Secured First Lien Note was repurchased or redeemed after such Regular Record Date. Interest was computed on the basis of a 360-day year comprised of twelve 30-day months. The Senior Secured First Lien Notes collateral included a first-priority lien on all assets except for certain excluded assets, as defined in the indenture relating to the Senior Secured First Lien Notes, other than the ABL Facility collateral, and a secondary-priority lien on the ABL Facility collateral.

The ABL Facility, the GUC Distribution Note, the Senior Secured First Lien Notes and related documents contained affirmative and negative covenants with no financial covenants. The Company was in compliance with all covenants under the these agreements as of December 31, 2016.

Capital Leases

The Company entered into capital leases for certain property and other equipment during 2016. The Company’s liability for capital leases as of December 31, 2016 totaled \$2,745, with \$1,007 reported as current portion of long-term debt.

Future Maturities

Future maturities of long-term debt as of December 31, 2016 are as follows:

2017	\$ 2,324
2018	17,928
2019	772
2020	42,500
2021	300,000
Total long-term debt	<u>\$ 363,524</u>

(11) Acquisition-Related Obligations

Acquisition-related obligations consisted of the following:

	December 31, 2016
Retiree Committee VEBA Funding Settlement Liability	\$ 10,000
UMWA Funds Settlement Liability	7,500
UMWA VEBA Funding Settlement Liability	9,300
UMWA Contingent VEBA Funding Note 1	8,750
UMWA Contingent VEBA Funding Note 2	8,750
Reclamation Funding Liability	42,000
Contingent Reclamation Funding Liability	20,370
Contingent Credit Support Commitment	4,567
Other	2,261
Discount	(27,152)
Total acquisition-related obligations - long-term	<u>86,346</u>
Less current portion	(27,258)
Acquisition-related obligations, net of current portion	<u>\$ 59,088</u>

The Company entered into various settlement agreements with Alpha and/or the Alpha bankruptcy successor ANR, Inc. (“ANR”) and third parties as part of the Alpha bankruptcy reorganization process. The Company assumed acquisition-related

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

obligations through those settlement agreements which became effective on July 26, 2016, the effective date of Alpha's plan of reorganization.

Contingent Credit Support Commitment

The Contingent Credit Support Commitment ("Contingent Commitment") is an unsecured obligation to ANR that requires the Company to provide ANR with revolving credit support in an aggregate total amount of \$35,000 from July 26, 2016 ("Effective Date") through September 30, 2018. ANR is entitled to draw against the Contingent Commitment if, and only if, the amount of cash and cash equivalents on ANR's balance sheet falls below \$20,000 at any time prior to September 30, 2018 (the amount of any such shortfall, the "Shortfall"), in which case, ANR is entitled to draw against the Contingent Commitment an amount equal to the lesser of the Shortfall and the then-remaining undrawn amount of the Contingent Commitment. ANR is able to draw upon and repay the Contingent Commitment as necessary through September 30, 2018. The Company must fund a draw on the Contingent Commitment within 10 business days of notice from ANR. ANR will be required to repay the funds drawn against the Contingent Commitment (i) prior to September 30, 2018 to the extent the amount of cash and cash equivalents on ANR's balance sheet is greater than \$20,000 as of the end of any calendar quarter ending on or before September 30, 2018 (exclusive of the amount outstanding from the Contingent Commitment) or (ii) if any amounts are outstanding under the Contingent Commitment after September 30, 2018, to the extent the amount of cash and cash equivalents on ANR's balance sheet at the end of any calendar quarter is greater than \$30,000 (exclusive of the amount outstanding from the Contingent Commitment), within 10 business days following the closing of its books for the relevant calendar quarter. Notwithstanding the above, all outstanding balances under the Contingent Commitment must be repaid by September 30, 2019.

As of December 31, 2016, ANR had not drawn against the Contingent Commitment. The Company is electing to use the fair value option to measure this liability at each reporting period. During the period from July 26, 2016 to December 31, 2016, the Company recorded a mark to market non-cash gain of \$17,386, which is classified as other operating income in the Consolidated Statement of Operations. As of December 31, 2016, the fair value of the Contingent Commitment was \$4,567, all of which is classified as a loan commitment within acquisition-related obligations - current in the Consolidated Balance Sheet.

Retiree Committee VEBA Funding Settlement

The Retiree Committee Settlement Agreement requires the Company to provide funding to the voluntary employees' beneficiary association fund ("VEBA") established by the retiree committee, which represented the interests of certain non-union Alpha retirees during the Alpha bankruptcy case, in an aggregate nominal amount of \$13,000 (the "Retiree Committee VEBA Funding Settlement Liability") for the benefit of the VEBA beneficiaries pursuant to the following schedule: (a) \$3,000 within 10 business days after the later of the Effective Date or Alpha Natural Resources, Inc. and such subsidiaries ("Debtors") receipt of written notice; (b) \$3,000 on January 1, 2017; (c) \$3,500 on January 1, 2018; (d) \$2,500 on January 1, 2019; and (e) \$1,000 on January 1, 2020. The initial \$3,000 installment was paid as part of the Alpha bankruptcy settlement process and is therefore not reflected in the cash flows of the Company for the period from July 26, 2016 to December 31, 2016.

As of December 31, 2016, the carrying value of the Retiree Committee VEBA Funding Settlement liability is \$8,260, net of discount of \$1,740, and was classified as an acquisition-related obligation, with \$3,000 classified as current in the Consolidated Balance Sheet.

UMWA Funds Settlement

The United Mine Workers of America ("UMWA") Funds Settlement ("UMWA Funds Settlement") provides for the Coal Act Funds, the 1974 Pension Plan, the 1993 Benefit Plan, the CDSP and the Account Plan (collectively, the "UMWA Funds") to receive an initial distribution of \$2,500 in cash (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the Effective Date. The Company is required to make periodic cash payments (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the dates and in the amounts listed: December 31, 2017: \$500; December 31, 2018: \$1,000; December 31, 2019: \$2,000; December 31, 2020: \$2,000; December 31, 2021: \$2,000. The initial distribution of \$2,500 was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to December 31, 2016.

As of December 31, 2016, the carrying value of the UMWA Funding Settlement liability was \$4,050, net of discount of \$3,450, and was classified as an acquisition-related obligation, with \$500 classified as current in the Consolidated Balance Sheet.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

UMWA VEBA Funding and Contingent Notes Settlements

UMWA VEBA Funding

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, the Company was required to contribute \$10,000 to a voluntary employees' beneficiary association fund (the "VEBA trust") on or before the Effective Date. Beginning on November 1, 2016, and again on the first of each month through April 1, 2017, the Company is required to deposit \$3,000 into the VEBA trust (total of \$18,000 in six monthly payments). On or before November 15, 2016, and February 15, 2017 the Company is required to deposit \$300 into the VEBA trust (total of \$600 in two payments). The initial \$10,000 contribution was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to December 31, 2016. During the period from July 26, 2016 to December 31, 2016, the Company made \$9,300 of the required deposits, all of which was classified as operating activities in the Consolidated Statement of Cash Flows.

As of December 31, 2016, the carrying value of the UMWA VEBA Funding Settlement liability is \$9,037, net of discount of \$263, all of which was classified as an acquisition-related obligation - current in the Consolidated Balance Sheet.

UMWA Contingent VEBA Funding Notes

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, if federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if monies under the legislation have not become available for the benefits before August 1, 2017, on August 1, 2017, the Company is required to issue to the VEBA a 7-year 5% unsecured note ("UMWA Contingent VEBA Funding Note 1") with a face value of \$8,750. The note will have a maturity of 7 years and will be subordinate to the Company's Senior Secured First Lien Notes.

As of December 31, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 1 was \$4,307, net of discount of \$4,443, all of which was classified as an acquisition-related obligation - long-term in the Consolidated Balance Sheet.

If federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if moneys under the legislation have not become available for the benefits before December 1, 2017, on December 1, 2017, the Company is also required to issue to the VEBA a 7-year 5% unsecured note ("UMWA Contingent VEBA Funding Note 2") with a face value of \$8,750. The note will have a maturity of 7 years and will be subordinate to the Company's Senior Secured First Lien Notes.

As of December 31, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 2 was \$4,270, net of discount of \$4,480, all of which was classified as an acquisition-related obligation - long-term in the Consolidated Balance Sheet.

Reclamation Funding Agreement

Pursuant to the Reclamation Funding Agreement dated July 12, 2016, separate interest bearing segregated deposit accounts ("Restricted Cash Reclamation Accounts") were established for certain applicable federal and state environmental regulatory authorities to provide certain funding for the reclamation, mitigation and water treatment, and certain management work to be done at reclaim-only sites related to certain obligations under the various permits associated with ANR's retained assets.

Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, the Company must pay the aggregate amount of \$50,000 into the various Restricted Cash Reclamation Accounts as follows: \$8,000 immediately upon the Effective Date; \$10,000 on the anniversary of the Effective Date in each of 2017, 2018, and 2019; and \$12,000 on the anniversary of the Effective Date in 2020. The initial \$8,000 payment was paid as part of the Alpha bankruptcy settlement process and is not reflected in the cash flows of the Company for the period from July 26, 2016 to December 31, 2016.

As of December 31, 2016, the carrying value of the Funding of Restricted Cash Reclamation liability is \$29,223, net of discount of \$12,777, with \$10,000 classified as current, all of which was classified as an acquisition-related obligation in the Consolidated Balance Sheet.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Contingent Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, under certain circumstances, the Company will be required to pay up to an aggregate amount of \$50,000 into various Restricted Cash Reclamation Accounts from 2021 through 2025 as follows: (1) if ANR does not contribute \$50,000 of free cash flow, as defined in the agreement, into the Restricted Cash Reclamation Accounts through December 31, 2020; and (2) if ANR makes any reorganized ANR contingent revenue payment, as defined in the agreement, that reduces the amount of free cash flow that ANR otherwise would have contributed to the Restricted Cash Reclamation Accounts, then the Company will be obligated to pay the amount of the difference between (a) the amount of free cash flow that ANR would have contributed to the Restricted Cash Reclamation Accounts had it not made such reorganized ANR contingent revenue payment and (b) the amount of free cash flow actually contributed.

The Company is electing to use the fair value option to measure this liability at each reporting period. During the period from July 26, 2016 to December 31, 2016, the Company recorded a mark to market non-cash loss of \$6,770 which is classified as other operating income (loss) in the Consolidated Statement of Operations. As of December 31, 2016, the carrying value of the Contingent Funding of Restricted Cash Reclamation liability was \$20,370, all of which was classified as an acquisition-related obligation - long-term in the Consolidated Balance Sheet.

(12) Asset Retirement Obligations

As of December 31, 2016, the Company had recorded asset retirement obligation accruals for mine reclamation and closure costs totaling \$191,395. The portion of the costs expected to be paid within a year of \$4,298, as of December 31, 2016, is included in accrued expenses and other current liabilities. See Note 20 for information regarding the Company's outstanding surety bonds.

Changes in the asset retirement obligations were as follows:

Total asset retirement obligations at July 26, 2016	\$ 204,326
Accretion for the period	10,819
Revisions in estimated cash flows ⁽¹⁾	(23,236)
Expenditures for the period	(514)
Total asset retirement obligations at December 31, 2016	\$ 191,395
Less current portion	(4,298)
Long-term portion	\$ 187,097

- ⁽¹⁾ Amount includes (\$7,656), primarily related to a reduction in estimated stream restoration costs within the Northern Appalachia Operations segment, which was recorded as a reduction to depreciation, depletion and amortization in the Consolidated Statements of Operations for the period from July 26, 2016 to December 31, 2016.

(13) Other Non-Current Liabilities

Other non-current liabilities consisted of the following:

	December 31, 2016
Workers' compensation obligations	\$ 17,008
Black lung obligations	13,501
Warrants ⁽¹⁾	35,141
Life insurance benefits	11,687
Taxes other than income taxes	6,590
Other	13,967
Total other non-current liabilities	\$ 97,894

- ⁽¹⁾ See Note 15.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

(14) Fair Value of Financial Instruments and Fair Value Measurements

The estimated fair values of financial instruments are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision.

The carrying amounts for cash and cash equivalents, trade accounts receivable, net, prepaid expenses and other current assets, long-term restricted cash, long-term deposits, trade accounts payable, and accrued expenses and other current liabilities approximate fair value due to the short maturity of these instruments.

The following table sets forth by level, within the fair value hierarchy, the Company's long-term debt at fair value as of December 31, 2016:

	December 31, 2016				
	Carrying Amount ⁽¹⁾	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Term Facility	\$ 42,164	\$ 42,164	\$ —	\$ 42,164	\$ —
Closing Tranche Term Loan - due January 2018	8,500	8,500	—	—	8,500
GUC Distribution Note - due January 2018	4,546	4,967	—	—	4,967
10% Senior Secured First Lien Notes - due August 2021	286,927	320,625	320,625	—	—
Total long-term debt	<u>\$ 342,137</u>	<u>\$ 376,256</u>	<u>\$ 320,625</u>	<u>\$ 42,164</u>	<u>\$ 13,467</u>

⁽¹⁾ Net of debt discounts and debt issuance costs.

The following table sets forth by level, within the fair value hierarchy, the Company's acquisition-related obligations at fair value as of December 31, 2016:

	December 31, 2016				
	Carrying Amount ⁽¹⁾	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Retiree Committee VEBA Funding Settlement Liability	\$ 8,260	\$ 8,937	\$ —	\$ —	\$ 8,937
UMWA Funds Settlement Liability	4,050	5,100	—	—	5,100
UMWA VEBA Funding Settlement Liability	9,037	9,156	—	—	9,156
UMWA Contingent VEBA Funding Note 1	4,307	5,381	—	—	5,381
UMWA Contingent VEBA Funding Note 2	4,270	5,206	—	—	5,206
Reclamation Funding Liability	29,223	33,549	—	—	33,549
Total acquisition-related obligations	<u>\$ 59,147</u>	<u>\$ 67,329</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 67,329</u>

⁽¹⁾ Net of discounts.

The following table sets forth by level, within the fair value hierarchy, the Company's financial and non-financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2016. Financial and non-financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the determination of fair value for assets and liabilities and their placement within the fair value hierarchy levels.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

December 31, 2016				
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrants ⁽¹⁾	\$ 35,141	\$ —	\$ —	\$ 35,141
Contingent Credit Support Commitment ⁽²⁾	\$ 4,567	\$ —	\$ —	\$ 4,567
Contingent Reclamation Funding Liability ⁽²⁾	\$ 20,370	\$ —	\$ —	\$ 20,370

⁽¹⁾ See Note 15 for further disclosures on warrants and the mark to market effect on earnings.

⁽²⁾ See Note 11 for further disclosures on these acquisition-related obligations and their mark to market effect on earnings.

For the period from July 26, 2016 to December 31, 2016, the Company fair valued assets and liabilities on a non-recurring basis in connection with acquisition accounting (see Note 3).

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the tables above.

Level 1 Fair Value Measurements

10% Senior Secured First Lien Notes - due August 2021 - The fair value is based on observable market data.

Level 2 Fair Value Measurements

Term Facility - due July 2020 - The Company believes the carrying value of this obligation is a reasonable estimate of fair value as these obligations were repaid at face value without any premium or discount subsequent to December 31, 2016. The Company also observed limited trading volumes at par as of December 31, 2016.

Level 3 Fair Value Measurements

Closing Tranche Term Loan - due January 2018 - The Company believes the carrying value of this obligation is a reasonable estimate of fair value as these obligations were repaid at face value without any premium or discount subsequent to December 31, 2016.

GUC Distribution Note - due January 2018, Retiree Committee VEBA Funding Settlement Liability, UMWA Funds Settlement Liability, UMWA VEBA Funding Settlement Liability, UMWA Contingent VEBA Funding Note 1, UMWA Contingent VEBA Funding Note 2 and Reclamation Funding Liability - Observable transactions are not available to aid in determining the fair value of these items. Therefore, the fair value was derived by using the expected present value approach in which estimated cash flows are discounted using a risk-free interest rate adjusted for market risk.

Contingent Credit Support Commitment - Observable transactions are not available to aid in determining the fair value of this commitment. The fair value of the Contingent Credit Support Commitment was derived by using the present value of the Company's estimated obligation to provide ANR with revolving credit support, discounted using the Company's credit-adjusted risk-free borrowing rate. The Company's estimated obligation to provide ANR with revolving credit support was derived based on a probability-weighted analysis of scenarios developed from ANR's projected cash flows. The present value of the Company's estimated obligation is calculated net of the present value of the anticipated ANR repayments, discounted using an estimate of ANR's weighed average cost of capital.

Contingent Reclamation Funding Liability - Observable transactions are not available to aid in determining the fair value of this obligation. The fair value of the Contingent Reclamation Funding Liability was derived by aggregating the present value of the Company's estimated cash flow payments into the various Restricted Cash Reclamation Accounts, using the Company's credit-adjusted risk free rate. The Company's estimated cash flow payments were reduced by the present value of expected ANR cash flow payments into the various Restricted Cash Reclamation Accounts, discounted at an estimate of ANR's weighted average cost of capital.

Warrants - The fair value of the warrants liability was estimated using a Black-Scholes pricing model and is marked to market at each reporting period with changes in value reflected in earnings. The inputs included in the Black-Scholes pricing

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

model are the Company's OTC market price, the stated exercise price, the remaining time to maturity, the annual risk-free interest rate based on the US Constant Maturity Treasury Curve and annualized volatility. The annualized volatility was calculated by observing volatilities for comparable companies with adjustments for the Company's size and leverage.

Acquisition accounting - The Company accounts for business combinations under the acquisition method of accounting. The total cost of acquisitions is allocated to the underlying identifiable net tangible and intangible assets based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items.

(15) Warrants

On July 26, 2016 (the "Initial Issue Date"), the Company issued 810,811 warrants, each with an initial exercise price of \$55.93 per share of common stock and exercisable for one share of the Company's common stock, par value \$0.01 per share. The warrants are exercisable for cash or on a cashless basis at any time from the Initial Issue Date until July 26, 2023. The warrants are classified as a derivative liability and are initially and subsequently marked to market with changes in value reflected in earnings.

The following table presents the fair values and location of the Company's derivative instruments within the Consolidated Balance Sheet:

Derivatives not designated as cash flow hedging instruments	Statement of Financial Position Location	Liability Derivatives	
		December 31, 2016	
Warrants	Other non-current liabilities	\$	35,141

The following table presents the loss from derivative instruments for the period from July 26, 2016 to December 31, 2016, and its location within the Consolidated Financial Statements:

Derivatives not designated as cash flow hedging instruments	Loss recorded in earnings	
	Period from July 26, 2016 (inception) to December 31, 2016	
Warrants	\$	(33,975)

(16) Income Taxes

Significant components of income tax expense (benefit) were as follows:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	Period from July 26, 2016 (inception) to December 31, 2016
Current tax (benefit) expense:	
Federal	\$ (390)
State	202
	<u>\$ (188)</u>
Deferred tax benefit:	
Federal	\$ (1,124)
State	(57)
	<u>\$ (1,181)</u>
Total income tax (benefit) expense:	
Federal	\$ (1,514)
State	145
	<u><u>\$ (1,369)</u></u>

A reconciliation of the statutory federal income tax benefit at 35% to the actual income tax benefit is as follows:

	Period from July 26, 2016 (inception) to December 31, 2016
Federal statutory income tax benefit	\$ (4,305)
Increases (reductions) in taxes due to:	
Percentage depletion allowance	(1,096)
State taxes, net of federal tax impact	(353)
Change in valuation allowances	(8,802)
Non-taxable bargain purchase gain	(2,702)
Non-deductible mark-to-market adjustment - warrant derivative	11,891
Charitable contribution carryforward expiration	3,537
Other, net	461
Income tax benefit	<u><u>\$ (1,369)</u></u>

Deferred income taxes result from temporary differences between the reporting of amounts for financial statement purposes and income tax purposes. The net deferred tax assets and liabilities included in the Consolidated Balance Sheet include the following amounts:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	<u>December 31,</u> <u>2016</u>
Deferred tax assets:	
Property, plant, and mineral reserves	\$ 283,301
Asset retirement obligations	16,362
Reserves and accruals not currently deductible	6,206
Workers' compensation obligations	16,488
Equity method investments	5,079
Charitable contribution carryforwards	20,808
Loss and credit carryforwards, net of Section 382 limitation	217,509
Other	4,535
Gross deferred tax assets	570,288
Less valuation allowance	(531,054)
Total net deferred tax assets	39,234
Deferred tax liabilities:	
Acquired intangibles	(31,493)
Prepaid expenses	(5,378)
Acquisition-related obligations	(2,043)
Other	(320)
Total deferred tax liabilities	(39,234)
Net deferred tax asset	\$ —

Changes in the valuation allowance for the period from July 26, 2016 to December 31, 2016, were as follows:

	<u>December 31,</u> <u>2016</u>
Valuation allowance beginning of period	\$ 539,856
Decrease in valuation allowance recorded as a decrease to income tax expense	(8,802)
Valuation allowance end of period	\$ 531,054

The Company acquired the core assets of Alpha in a tax-free reorganization as part of the Alpha bankruptcy restructuring. As a result of the tax-free reorganization, the Company inherited the tax basis of the core assets and the net operating loss and other carryforwards of Alpha. On December 31, 2016, the net operating loss carryforwards and other carryforwards were reduced under Internal Revenue Code Section 108 due to the cancellation of indebtedness resulting from the Alpha bankruptcy restructuring. Due to the change in ownership, the net operating loss and other carryforwards will be subjected to limitations on their use in future years. In addition, the asset purchase agreement states that any refunds or reductions of taxes payable related to income taxes paid in a period prior to July 26, 2016 are payable to ANR.

As of December 31, 2016, the Company has recorded a full valuation allowance against its net deferred tax assets. Due to our formation through acquisition of certain core coal assets as part of the Alpha bankruptcy restructuring, the Company does not have a history of operating results. Additionally, ownership change limitations will limit the ability of the Company to utilize its net operating loss and other carryforwards in future years.

At December 31, 2016, the Company has regular tax net operating loss carryforwards for Federal income tax purposes of approximately \$566,000 which are available to offset regular Federal taxable income, subject to the annual Internal Revenue Code Section 382 limitation of approximately \$1,000. The Federal net operating losses generated will expire between years 2031 and 2035. The Company has alternative minimum tax credit carryforwards of approximately \$92,000, which are available to reduce federal regular income tax in excess of the alternative minimum tax, if any, over an indefinite period, subject to the annual Section 382 limitation. The Company has capital loss carryforwards of approximately \$782,000, of which approximately \$442,000 are subject to the annual Section 382 limitation. The capital loss carryforwards expire in year 2021.

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

The Company also has charitable contribution carryforwards of \$59,451, which will expire between years 2017 and 2021. The loss and credit carryforward amounts will be refined during the one-year measurement period, as the Company finalizes the impact of the tax-free reorganization transaction.

The Company does not have any unrecognized tax benefits. The Company's policy is to classify interest and penalties related to uncertain tax positions as part of income tax expense. As of December 31, 2016, the Company has recorded accrued interest and penalties of \$0 and \$0, respectively.

As of December 31, 2016, tax years 2013 - 2016, which include the impact of net operating loss and other carryforwards and tax basis acquired from Alpha, remain open to federal and state examination.

(17) Employee Benefit Plans

The Company sponsors or participates in several benefit plans for its employees, including a defined contribution retirement savings plan, workers' compensation, black lung and life insurance benefits.

Workers' Compensation and Pneumoconiosis (Black lung)

In March 2010, the Patient Protection and Affordable Care Act ("PPACA") was enacted, potentially impacting the Company's costs of providing healthcare benefits to our employees and workers' compensation benefits related to occupational disease resulting from coal workers' pneumoconiosis (black lung disease). The PPACA has both short-term and long-term implications on benefit plan standards. Implementation of this legislation is expected to extend through 2020. In the short term, our healthcare costs could increase due to, among other things, an increase in the maximum age for covered dependents to receive benefits, changes to benefits for occupational disease related illnesses, the elimination of lifetime dollar limits per covered individual and restrictions on annual dollar limits per covered individual. In the long term, our healthcare costs could increase due to, among other things, an excise tax on "high cost" plans and the elimination of annual dollar limits per covered individual.

Beginning in 2020, the PPACA will impose a 40% excise tax on employers to the extent that the value of their healthcare plan coverage exceeds certain dollar thresholds. The Company anticipates that certain governmental agencies will provide additional regulations or interpretations concerning the application of this excise tax. The Company will continue to evaluate the impact of the PPACA, including any new regulations or interpretations, and the potential effects of the recent federal election results, in future periods.

The Company is required by federal and state statutes to provide benefits to employees for awards related to workers' compensation and black lung. The Company's subsidiaries are insured with a high deductible plan for worker's compensation and black lung obligations by a third-party insurance provider, except for the Company's operations in Wyoming, where the Company participates in a compulsory state-run fund for workers' compensation.

The Company accrues for any workers' compensation liability by recognizing costs when it is probable that a covered liability has been incurred and the cost can be reasonably estimated. The Company's estimates of these costs are adjusted based upon actuarial studies. Actual losses may differ from these estimates, which could increase or decrease the Company's costs. At December 31, 2016, the Company had \$21,510 of workers' compensation liability primarily related to obligations assumed in the acquisition.

Charges are made to operations for black lung claims, as determined by an independent actuary at the present value of the actuarially computed liability for such benefits over an employee's applicable term of service. The Company recognizes in its balance sheet the amount of the Company's unfunded Accumulated Benefit Obligation ("ABO") at the end of the year. Amounts recognized in accumulated other comprehensive income (loss) are adjusted out of accumulated other comprehensive income (loss) when they are subsequently recognized as components of net periodic benefit cost. At December 31, 2016, the Company had \$13,501 of black lung liability primarily related to obligations assumed in the acquisition.

The following tables set forth the accumulated black lung benefit obligations and funded status for the period from July 26, 2016 to December 31, 2016:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	December 31, 2016
Change in benefit obligation:	
Accumulated benefit obligation at beginning of period	\$ 15,158
Service cost	300
Interest cost	225
Actuarial gain	(2,182)
Accumulated benefit obligation at end of period	<u>\$ 13,501</u>
Amounts recognized in the consolidated balance sheets:	
Long-term liabilities	<u>\$ 13,501</u>

Gross amounts related to the black lung obligations recognized in accumulated other comprehensive income consisted of the following as of December 31, 2016:

	December 31, 2016
Net actuarial gain	\$ (2,182)
Accumulated Other Comprehensive Income	<u>\$ (2,182)</u>

The following table details the components of the net periodic benefit cost for black lung obligations:

	Period from July 26, 2016 (inception) to December 31, 2016
Service cost	\$ 300
Interest cost	225
Net periodic expense	<u>\$ 525</u>

Other changes in the black lung plan assets and benefit obligations recognized in other comprehensive income (loss) are as follows:

	Period from July 26, 2016 (inception) to December 31, 2016
Current year actuarial gain	\$ (2,182)
Total recognized in other comprehensive income (loss)	<u>\$ (2,182)</u>

The weighted-average assumptions related to black lung obligations used to determine the benefit obligation as of December 31, 2016 were as follows:

	2016
Discount rate	4.27%
Federal black lung benefit trend rate	2.50%
Black lung medical benefit trend rate	5.00%
Black lung benefit expense inflation rate	2.50%

The weighted-average assumptions related to black lung obligations used to determine net periodic benefit cost were as follows:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	Period from July 26, 2016 (inception) to December 31, 2016
Discount rate for benefit obligations	3.62%
Discount rate for service cost	3.66%
Discount rate for interest cost	3.49%
Federal black lung benefit trend rate	2.50%
Black lung medical benefit trend rate	5.00%
Black lung benefit expense inflation rate	2.50%

Estimated future cash payments related to black lung obligations for the next ten years ending after December 31, 2016 are as follows:

Year ending December 31:	
2017	\$ —
2018	—
2019	—
2020	—
2021	16
2022-2026	1,840
	<u>\$ 1,856</u>

Life Insurance Benefits

As part of the Alpha bankruptcy restructuring and the Retiree Committee Settlement Agreement (see Note 11), the Company assumed the liability for life insurance benefits for certain disabled and non-union retired employees. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. Adjustments to the probable ultimate liabilities are made annually based on an actuarial study and adjustments to the liability are recorded based on the results of this study. These obligations are included in the Consolidated Balance Sheet as accrued expenses and other current liabilities and other non-current liabilities. At December 31, 2016, the Company had \$12,553 of life insurance benefits liability primarily related to obligations assumed in the acquisition.

The following tables set forth the accumulated life insurance benefit obligations, fair value of plan assets and funded status for the period from July 26, 2016 to December 31, 2016:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	December 31, 2016
Change in benefit obligation:	
Accumulated benefit obligation at beginning of period	\$ 13,628
Interest cost	148
Actuarial gain	(1,086)
Benefits paid	(137)
Accumulated benefit obligation at end of period	<u>\$ 12,553</u>
Change in fair value of plan assets:	
Benefits paid ⁽¹⁾	(137)
Employer contributions ⁽¹⁾	137
Fair value of plan assets at end of period	<u>—</u>
Funded status	<u>—</u>
Accrued benefit cost at end of year	<u>\$ 12,553</u>
Amounts recognized in the consolidated balance sheets:	
Current liabilities	\$ 866
Long-term liabilities	11,687
	<u>\$ 12,553</u>

⁽¹⁾ Amount is comprised of premium payments to commercial life insurance provider.

Gross amounts related to the life insurance benefit obligations recognized in accumulated other comprehensive income consisted of the following as of December 31, 2016:

	December 31, 2016
Net actuarial gain	\$ (1,086)
Accumulated Other Comprehensive Income	<u>\$ (1,086)</u>

The following table details the components of the net periodic benefit cost for life insurance benefit obligations:

	Period from July 26, 2016 (inception) to December 31, 2016
Interest cost	\$ 148
Net periodic expense	<u>\$ 148</u>

Other changes in the life insurance plan assets and benefit obligations recognized in other comprehensive income (loss) are as follows:

	Period from July 26, 2016 (inception) to December 31, 2016
Current year actuarial gain	\$ (1,086)
Total recognized in other comprehensive income (loss)	<u>\$ (1,086)</u>

The weighted-average assumptions related to life insurance benefit obligations used to determine the benefit obligation as of December 31, 2016 was as follows:

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

	2016
Discount rate	4.03%

The weighted-average assumptions related to life insurance benefit obligations used to determine net periodic benefit cost were as follows:

	Period from July 26, 2016 (inception) to December 31, 2016
Discount rate for benefit obligations	3.36%
Discount rate for interest cost	2.71%

Estimated future cash payments related to life insurance benefit obligations for the next ten years ending after December 31, 2016 are as follows:

Year ending December 31:	
2017	\$ 866
2018	806
2019	727
2020	680
2021	670
2022-2026	3,249
	<u>\$ 6,998</u>

Defined Contribution Plans

The Company sponsors defined contribution plans to assist its eligible employees in providing for retirement. Generally, under the terms of these plans, employees make voluntary contributions through payroll deductions and the Company makes matching and/or discretionary contributions, as defined by each plan. The Company's total contributions to these plans for the period from July 26, 2016 to December 31, 2016 was \$1,057.

Self-Insured Medical Plan

The Company is self-insured for health insurance coverage for all of its active employees. Estimated liabilities for health and medical claims are recorded based on the Company's historical experience and include a component for incurred but not paid claims. During the period from July 26, 2016 to December 31, 2016, the Company incurred total expenses of \$18,034 which primarily includes claims processed and an estimate for claims incurred but not paid.

(18) Stock-Based Compensation Awards

The Management Incentive Plan (the "Plan") is currently authorized for the issuance of awards of up to 1,201,202 shares of common stock, and as of December 31, 2016, 572,474 shares of common stock were available for grant under the Plan.

On July 26, 2016, the Company granted certain of its officers and key employees 309,310 shares of common stock, 145,648 stock options with an exercise price of \$2.50 per share, and 145,648 stock options with an exercise price equal to the 30-day volume-weighted average price for the period beginning July 27, 2016 and ending thirty days thereafter, but in any case not less than \$2.50 per share and not more than \$5.00 per share. The units granted to the officers and key employees were fully vested on the grant date. Additionally, during the period from July 26, 2016 to December 31, 2016, the Company granted 28,122 time-based restricted stock units to its non-employee directors, all of which remained outstanding as of December 31, 2016.

The Company is authorized to repurchase common shares from employees (upon the election by the employee) to satisfy the employees' minimum statutory tax withholdings upon the vesting of stock grants. Shares that are repurchased to satisfy the

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

employees' minimum statutory tax withholdings are recorded in treasury stock at cost. The Company did not repurchase any common shares from employees during the period from July 26, 2016 to December 31, 2016.

Stock-based compensation expense totaled \$1,424 for the period from July 26, 2016 to December 31, 2016. For the period from July 26, 2016 to December 31, 2016, approximately 91% of stock-based compensation expense was reported as selling, general and administrative expenses and the remainder was recorded as cost of coal sales.

Restricted Stock Shares

During the period from July 26, 2016 to December 31, 2016, the Company granted 309,310 shares of common stock to certain of its officers and key employees, all of which were fully vested on the grant date.

Restricted stock shares activity for the period from July 26, 2016 to December 31, 2016 is summarized in the following table:

	Number of Shares	Weighted- Average Grant Date Fair Value
Non-vested shares outstanding at July 26, 2016	—	\$ —
Granted	309,310	\$ 2.50
Vested	(309,310)	\$ 2.50
Forfeited or Expired	—	\$ —
Non-vested shares outstanding at December 31, 2016	<u>—</u>	<u>\$ —</u>

Restricted Share Units

Time-Based Share Units

During the period from July 26, 2016 to December 31, 2016, the Company granted 28,122 time-based restricted stock units to its non-employee directors, all of which remained outstanding as of December 31, 2016. These time-based units granted to the Company's non-employee directors will vest on the first to occur of (i) the one-year anniversary of the date of grant, (ii) the director's "separation from service" (as defined in Section 409A) due to the directors' death or disability, and (iii) a change in control, subject in each case to the director's continuous service with the Company through such date. Settlement of the vested shares will occur on the earlier of (i) thirty days following the applicable vesting date and (ii) immediately prior to the change of control unless a deferral date is elected. On the settlement date of the vested time-based share units, the Company issues authorized and unissued shares of the Company's common stock to the recipient.

Time-based share unit activity for the period from July 26, 2016 to December 31, 2016 is summarized in the following table:

	Number of Shares	Weighted- Average Grant Date Fair Value
Non-vested shares outstanding at July 26, 2016	—	\$ —
Granted	28,122	\$ 16.00
Vested	—	\$ —
Forfeited or Expired	—	\$ —
Non-vested shares outstanding at December 31, 2016	<u>28,122</u>	<u>\$ 16.00</u>

As of December 31, 2016, there was \$263 of unrecognized compensation cost related to non-vested time-based share units which is expected to be recognized as expense over a weighted-average period of 0.58 years.

Non-Qualified Stock Options

[Table of Contents](#)

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Fixed Value Non-Qualified Stock Options

On July 26, 2016, the Company granted certain of its officers and key employees 145,648 stock options with an exercise price of \$2.50 per share. The units granted to the officers and key employees were fully vested on the grant date.

Fixed value non-qualified stock option activity for the period from July 26, 2016 to December 31, 2016 is summarized in the following table:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)
Outstanding at July 26, 2016	—	\$ —	
Granted	145,648	\$ 2.50	10.00
Exercised	—	\$ —	
Forfeited or Expired	—	\$ —	
Outstanding at December 31, 2016	145,648	\$ 2.50	9.57
Exercisable at December 31, 2016	145,648	\$ 2.50	9.57

As of December 31, 2016, the options outstanding and exercisable had an aggregate intrinsic value of \$68.50. As of December 31, 2016, there was no unrecognized compensation cost related to the fixed value non-qualified stock options.

30-Day Volume-Weighted Average Price ("VWAP") Non-Qualified Stock Options

On July 26, 2016, the Company granted certain of its officers and key employees 145,648 stock options with an exercise price equal to the 30-day VWAP price for the period beginning July 27, 2016 and ending thirty days thereafter, but in any case not less than \$2.50 per share and not more than \$5.00 per share. The units granted to the officers and key employees were fully vested on the grant date.

30-day VWAP non-qualified stock option activity for the period from July 26, 2016 to December 31, 2016 is summarized in the following table:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)
Outstanding at July 26, 2016	—	\$ —	
Granted	145,648	\$ 5.00	10.00
Exercised	—	\$ —	
Forfeited or Expired	—	\$ —	
Outstanding at December 31, 2016	145,648	\$ 5.00	9.57
Exercisable at December 31, 2016	145,648	\$ 5.00	9.57

As of December 31, 2016, the options outstanding and exercisable had an aggregate intrinsic value of \$66.00. As of December 31, 2016, there was no unrecognized compensation cost related to the 30-day VWAP non-qualified stock options.

(19) Related Party Transactions

For the period from July 26, 2016 to December 31, 2016, there were no material related party transactions.

(20) Commitments and Contingencies

(a) General

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Estimated losses from loss contingencies are accrued by a charge to income when information available indicates that it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the Consolidated Financial Statements when it is at least reasonably possible that a loss may be incurred and that the loss could be material.

(b) Commitments and Contingencies

Commitments

The Company leases coal mining and other equipment under long-term capital and operating leases with varying terms. In addition, the Company leases mineral interests and surface rights from land owners under various terms and royalty rates.

As of December 31, 2016, aggregate future minimum non-cancelable lease payments under operating leases and minimum royalties under coal leases were as follows:

	Operating Leases	Coal Royalties
Year Ending December 31:		
2017	\$ 1,147	\$ 3,284
2018	532	1,046
2019	270	269
2020	38	229
2021	38	239
Thereafter	363	734
Total	<u>\$ 2,388</u>	<u>\$ 5,801</u>

For the period from July 26, 2016 to December 31, 2016, net rent expense under operating leases was \$1,609 and coal royalty expense was \$30,761.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

	Capital Leases
Year Ending December 31:	
2017	\$ 1,153
2018	1,051
2019	793
Total minimum lease payments	<u>\$ 2,997</u>
Less: Amount representing interest (rates range from 4.72% to 9.50%)	(252)
Present value of net minimum lease payments	<u>\$ 2,745</u>

Other Commitments

The Company also has obligations under certain coal transportation agreements that contain minimum quantities to be shipped each year. Minimum amounts due under these contracts for the next four years are \$921, \$3,042, \$3,072, and \$3,102, respectively.

Contingencies

Extensive regulation of the impacts of mining on the environment and of maintaining workplace safety has had and is expected to continue to have a significant effect on the Company's costs of production and results of operations. Further regulations, legislation or litigation in these areas may also cause the Company's sales or profitability to decline by increasing

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

costs or by hindering the Company's ability to continue mining at existing operations or to permit new operations.

During the normal course of business, contract-related matters arise between the Company and its customers. When a loss related to such matters is considered probable and can reasonably be estimated, the Company records a liability.

(c) Guarantees and Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company is a party to certain guarantees and financial instruments with off-balance sheet risk, such as bank letters of credit, performance or surety bonds, and other guarantees and indemnities related to the obligations of affiliated entities which are not reflected in the Company's Consolidated Balance Sheet. As of December 31, 2016, the Company had outstanding surety bonds with a total face amount of \$315,072 to secure various obligations and commitments.

As of December 31, 2016, the Company had mining equipment and real property collateralizing \$102,357 of reclamation bonds.

(d) Legal Proceedings

On November 16, 2016, the West Virginia Department of Environmental Protection ("DEP") filed a complaint with the Bankruptcy Court (Adversary Case 16-03334) against Alpha Natural Resources, Inc., Contura Energy, Inc., Citicorp North America, Inc. and certain former members of Alpha management who are now affiliated with the Company. The complaint made, among other claims, allegations regarding the accuracy of financial projections prepared in connection with the confirmation of Alpha's plan of reorganization in July 2016. On November 28, 2016, the parties reached a settlement pursuant to which the Company would provide financial guarantees, for the benefit of the DEP, in connection with ANR's performance of certain of its environmental obligations through 2018. On December 7, 2016, the Bankruptcy Court approved the settlement and dismissed the DEP complaint with prejudice. The period for the appeal of this decision has passed.

Per the terms of the settlement agreement, the Company placed \$4,000 cash into escrow during December 2016 in support of ANR's payment obligations under the Permitting and Reclamation Plan Settlement Agreement for the State of West Virginia, dated as of July 12, 2016 by and among ANR, Contura and DEP and the Reclamation Funding Agreement, dated as of July 12, 2016, by and among ANR, Contura the relevant agencies of the states of Illinois, Kentucky, Virginia and West Virginia and the United States government. The Company also provided a secured guaranty for ANR's payment obligations under the two agreements described above in the amount of \$4,500, with security for this guaranty in to be put in place on or before March 31, 2017. Pursuant to the terms of the settlement agreement, as the collateralization of this guaranty was not effectuated on or before March 31, 2017, the Company secured the guaranty by placing \$4,500 cash into escrow on March 30, 2016.

Other Legal Proceedings

The Company could also become party to other legal proceedings from time to time. These proceedings, as well as governmental examinations, could involve various business units and a variety of claims including, but not limited to, contract disputes, personal injury claims, property damage claims (including those resulting from blasting, trucking and flooding), environmental and safety issues, and employment matters. While some legal matters may specify the damages claimed by the plaintiffs, many seek an unquantified amount of damages. Even when the amount of damages claimed against the Company or its subsidiaries is stated, (i) the claimed amount may be exaggerated or unsupported; (ii) the claim may be based on a novel legal theory or involve a large number of parties; (iii) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (iv) there may be uncertainty as to the outcome of pending appeals or motions; and/or (v) there may be significant factual issues to be resolved. As a result, if such legal matters arise in the future the Company may be unable to estimate a range of possible loss for matters that have not yet progressed sufficiently through discovery and development of important factual information and legal issues. The Company records accruals based on an estimate of the ultimate outcome of these matters, but these estimates can be difficult to determine and involve significant judgment.

(21) Concentration of Credit Risk and Major Customers

The Company markets its coal principally to electric utilities in the United States and international and domestic steel producers. Credit is extended based on an evaluation of the customer's financial condition and collateral is generally not

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

required. Credit losses are provided for in the Consolidated Financial Statements and were minimal for the period from July 26, 2016 to December 31, 2016. For the period from July 26, 2016 to December 31, 2016, the Company's ten largest customers accounted for approximately 54% of total revenues. Sales to the Company's largest customer accounted for approximately 11% of total revenues for the period from July 26, 2016 to December 31, 2016. Steam coal and metallurgical coal accounted for approximately 86% and 14%, respectively, of the Company's coal sales volume during the period from July 26, 2016 to December 31, 2016. Additionally, three of the Company's customers had outstanding balances in excess of 10% of the total accounts receivable balance as of December 31, 2016.

(22) Segment Information

The Company extracts, processes and markets steam and metallurgical coal from surface and deep mines for sale to electric utilities, steel and coke producers, and industrial customers. The Company operates only in the United States with mines in Northern and Central Appalachia and the Powder River Basin. The Company has four reportable segments: Central Appalachia Operations ("CAPP"), Northern Appalachia Operations ("NAPP"), Powder River Basin Operations ("PRB") and Trading and Logistics. CAPP consists of nine active mines and two preparation plants in Virginia, one active mine and one preparation plant in West Virginia, as well as expenses associated with certain closed mines. NAPP consists of one active mine in Pennsylvania and one preparation plant, as well as expenses associated with one closed mine. PRB consists of two active mines in Wyoming. The Trading and Logistics segment primarily engages in coal trading activities and coal terminal services.

In addition to the four reportable segments, the All Other category includes general corporate overhead and corporate assets and liabilities.

The following table presents a reconciliation of adjusted EBITDA to net income (loss) for the period from July 26, 2016 to December 31, 2016:

	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Net income (loss)	\$ 37,436	\$ 26,434	\$ 1,467	\$ (22,053)	\$ (54,214)	\$ (10,930)
Interest expense	97	171	296	—	20,228	20,792
Interest income	(6)	—	—	—	(17)	(23)
Income tax benefit	—	—	—	—	(1,369)	(1,369)
Depreciation, depletion and amortization	6,442	(772)	38,005	—	303	43,978
Mark-to-market adjustment for warrant derivative liability	—	—	—	—	33,975	33,975
Bargain purchase gain	—	—	—	—	(7,719)	(7,719)
Mark-to-market adjustment - acquisition-related obligations	—	—	—	—	(10,616)	(10,616)
Amortization of acquired intangibles, net	—	—	—	61,281	—	61,281
Adjusted EBITDA	<u>\$ 43,969</u>	<u>\$ 25,833</u>	<u>\$ 39,768</u>	<u>\$ 39,228</u>	<u>\$ (19,429)</u>	<u>\$ 129,369</u>

Segment operating results and capital expenditures for the period from July 26, 2016 to December 31, 2016 were as follows:

	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Total revenues	\$ 138,973	\$ 132,363	\$ 183,123	\$ 234,704	\$ 256	\$ 689,419
Depreciation, depletion, and amortization	\$ 6,442	\$ (772)	\$ 38,005	\$ —	\$ 303	\$ 43,978
Amortization of acquired intangibles, net	\$ —	\$ —	\$ —	\$ 61,281	\$ —	\$ 61,281
Adjusted EBITDA	\$ 43,969	\$ 25,833	\$ 39,768	\$ 39,228	\$ (19,429)	\$ 129,369
Capital expenditures	\$ 4,626	\$ 18,136	\$ 11,123	\$ —	\$ 612	\$ 34,497

CONTURA ENERGY, INC. AND SUBSIDIARIES
NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

The Company markets produced, processed and purchased coal to customers in the United States and in international markets, primarily India, Italy, France, and Brazil. Export revenues, including freight and handling revenues, totaled \$357,343 or approximately 52% of total revenues for the period from July 26, 2016 to December 31, 2016.

(23) Subsequent Events

The Company's subsequent events have been evaluated through March 31, 2017, the date at which the Consolidated Financial Statements were available to be issued.

On January 12, 2017, Peabody Energy filed a motion with the U.S. Bankruptcy Court ("Court"), Eastern District of Missouri, requesting approval of bidding procedures for the sale of its ownership stake in the Dominion Terminal Associates, LLP ("DTA Facility") as part of its ongoing Chapter 11 restructuring. That order was approved by the Court on January 30, 2017, and an auction was held for the asset on March 6, 2017. The Company participated in the bidding process jointly with Arch Coal, a current partner at the DTA Facility. On March 9, 2017, the Court approved the Company's successful bid to increase its ownership stake in the DTA Facility to sixty-five percent majority ownership through its affiliate Contura Terminal, LLC. The Company's portion of the bid was \$13,293. The transaction closed on March 31, 2017.

On March 17, 2017, the Company entered into a \$400,000 Term Loan Credit Facility with a maturity date on March 17, 2024. The Term Loan Credit Facility carries an interest rate of LIBOR plus five percent, with a one percent LIBOR floor. In connection with the transaction, the Company will pay all of its outstanding 10.00% Senior Secured First Lien Notes due 2021. The aggregate principal amount outstanding of the notes was \$300,000. The redemption price for the notes is equal to 107.5% of the principal amount thereof, including accrued interest, for a total payment to holders of the notes of approximately \$329,000 in aggregate. The proceeds of the Term Loan Credit Facility will also be used to repay certain other long-term liabilities including the Term Facility, the Closing Tranche Term Loan and the GUC Distribution Note, pay related fees, costs and expenses, and for general corporate purposes.

GLOSSARY OF SELECTED TERMS

Ash. Impurities consisting of iron, alumina and other incombustible matter that are contained in coal. Since ash increases the weight of coal, it adds to the cost of handling and can affect the burning characteristics of coal.

Assigned reserves. Coal that is planned to be mined at an operation that is currently operating, currently idled, or for which permits have been submitted and plans are eventually to develop the operation.

British thermal unit, or Btu. A measure of the thermal energy required to raise the temperature of one pound of pure liquid water one degree Fahrenheit at the temperature at which water has its greatest density (39 degrees Fahrenheit).

Central Appalachia. Coal producing area in eastern Kentucky, Virginia, southern West Virginia and a portion of eastern Tennessee.

Coal seam. Coal deposits occur in layers. Each layer is called a “seam.”

Coal slurry impoundment. Coal slurry consists of solid and liquid waste and is a by-product of the coal mining and preparation processes. It is a fine coal refuse and water mixture. Impoundment is for the storage of liquid and primarily noncombustible solids that are by-products of coal cleaning.

Coke. A hard, dry carbon substance produced by heating coal to a very high temperature in the absence of air. Coke is used in the manufacture of iron and steel. Its production results in a number of useful byproducts.

Fossil fuel. Fuel such as coal, petroleum or natural gas formed from the fossil remains of organic material.

High Btu coal. Coal which has an average heat content of 12,500 Btus per pound or greater.

Illinois Basin. Coal producing area in Illinois, Indiana and western Kentucky.

Longwall mining. The most productive underground mining method in the United States. A rotating drum is trammed mechanically across the face of coal, and a hydraulic system supports the roof of the mine while the drum advances through the coal. Chain conveyors then move the loosened coal to a standard underground mine conveyor system for delivery to the surface.

Low sulfur coal. Coal which, when burned, emits 1.6 pounds or less of sulfur dioxide per million Btu.

Metallurgical coal. The various grades of coal suitable for carbonization to make coke for steel manufacture. Also known as “met” coal, its quality depends on four important criteria: volatility, which affects coke yield; the level of impurities including sulfur and ash, which affect coke quality; composition, which affects coke strength; and basic characteristics, which affect coke oven safety. Met coal typically has a particularly high Btu but low ash and sulfur content.

Nitrogen oxide (NOx). A gas formed in high temperature environments such as coal combustion.

Northern Appalachia. Coal producing area in Maryland, Ohio, Pennsylvania and northern West Virginia.

Overburden. Layers of earth and rock covering a coal seam. In surface mining operations, overburden is removed prior to coal extraction.

Powder River Basin. Coal producing area in northeastern Wyoming and southeastern Montana. This is the largest known source of coal reserves and the largest producing region in the United States.

Preparation plant. A preparation plant is a facility for crushing, sizing and washing coal to remove impurities and prepare it for use by a particular customer. The washing process has the added benefit of removing some of the coal’s sulfur content. A preparation plant is usually located on a mine site, although one plant may serve several mines.

Probable reserves. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Proven reserves. Reserves for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Reclamation. The process of restoring land and the environment to their original state following mining activities. The process commonly includes “recontouring” or reshaping the land to its approximate original appearance, restoring topsoil and planting native grass and ground covers. Reclamation operations are usually underway before the mining of a particular site is completed. Reclamation is closely regulated by both state and federal law.

Reserve. That part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination.

Steam coal. Coal used by power plants and industrial steam boilers to produce electricity, steam or both. It generally is lower in Btu heat content and higher in volatile matter than metallurgical coal.

Sulfur. One of the elements present in varying quantities in coal that contributes to environmental degradation when coal is burned. Sulfur dioxide is produced as a gaseous by-product of coal combustion.

Surface mine. A mine in which the coal lies near the surface and can be extracted by removing the covering layer of soil (see “Overburden”).

Tons. A “short” or net ton is equal to 2,000 pounds. A “long” or British ton is equal to 2,240 pounds; a “metric” tonne is approximately 2,205 pounds. The short ton is the unit of measure referred to in this document unless otherwise specified.

Unassigned reserves. Coal that is likely to be mined in the future, but which is not considered *Assigned reserves*.

Underground mine. Also known as a “deep” mine. Usually located several hundred feet below the earth’s surface, an underground mine’s coal is removed mechanically and transferred by shuttle car and conveyor to the surface.

Management’s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report includes statements of our expectations, intentions, plans and beliefs that constitute “forward-looking statements”. These statements, which involve risks and uncertainties, relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable and may also relate to our future prospects, developments and business strategies. We have used the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “should” and similar terms and phrases, including references to assumptions, in this report to identify forward-looking statements. These forward-looking statements are made based on expectations and beliefs concerning future events affecting us and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control, that could cause our actual results to differ materially from those matters expressed in or implied by these forward-looking statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

- our liquidity, results of operations and financial condition;
- depressed levels or declines in coal prices;
- worldwide market demand for coal, electricity and steel, including demand for U.S. coal exports, and competition in coal markets;
- utilities switching to alternative energy sources such as natural gas, renewables and coal from basins where we do not operate;
- reductions or increases in customer coal inventories and the timing of those changes;
- our production capabilities and costs;
- inherent risks of coal mining beyond our control;

- changes in domestic or environmental laws and regulations, and court decisions, including those directly affecting our coal mining and production, and those affecting our customers' coal usage, including potential climate change initiatives;
- our relationships with, and other conditions affecting, our customers, including the inability to collect payments from our customers if their creditworthiness declines;
- changes in, renewal or acquisition of, terms of and performance of customers under coal supply arrangements and the refusal by our customers to receive coal under agreed contract terms;
- our ability to obtain, maintain or renew any necessary permits or rights, and our ability to mine properties due to defects in title on leasehold interests;
- attracting and retaining key personnel and other employee workforce factors, such as labor relations;
- funding for and changes in employee benefit obligations;
- cybersecurity attacks or failures, threats to physical security, extreme weather conditions or other natural disasters;
- reclamation and mine closure obligations;
- our assumptions concerning economically recoverable coal reserve estimates;
- our ability to negotiate new United Mine Workers of America wage agreements on terms acceptable to us, increased unionization of our workforce in the future, and any strikes by our workforce;
- disruptions in delivery or changes in pricing from third party vendors of key equipment and materials that are necessary for our operations, such as diesel fuel, steel products, explosives and tires;
- inflationary pressures on supplies and labor and significant or rapid increases in commodity prices;
- railroad, barge, truck and other transportation availability, performance and costs;
- disruption in third party coal supplies;
- the consummation of financing or refinancing transactions, acquisitions or dispositions and the related effects on our business and financial position;
- our indebtedness and potential future indebtedness;
- our ability to generate sufficient cash or obtain financing to fund our business operations; and
- our ability to obtain or renew surety bonds on acceptable terms or maintain our current bonding status.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report. We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this report. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events, which may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this report.

INFORMATION REGARDING THE CONTENTS OF THIS DOCUMENT

The contents of these Consolidated Financial Statements and Report for the period from July 26, 2016 to December 31, 2016 should not be construed as investment, legal or tax advice. This report is being prepared pursuant to contractual arrangements and is not required by any rules or regulations of, and will not be filed with, the U.S. Securities and Exchange Commission ("SEC") or any other securities regulatory authority of any country, state or any other relevant jurisdiction, nor has the SEC or any other authority or commission passed upon the accuracy or adequacy of this report. Contura Energy, Inc. is a new company and is in the early stages of the costly and challenging process of compiling the systems and processing the documentation necessary to implement and evaluate the effectiveness of its disclosure controls and procedures and internal control over financial reporting. Statements contained herein describing documents and agreements are summaries only and are qualified in their entirety by reference to the corresponding documents and agreements.

Overview

We are a privately-held, regionally diverse United States coal producer with operations in Central Appalachia, Northern Appalachia, and the Powder River Basin with an active coal trading platform. As of December 31, 2016, we operated 13 mines and 4 coal preparation and load-out facilities, with approximately 2,200 employees. Our affiliated companies produce, process, and sell thermal coal, also known as "steam" coal, and metallurgical coal from operations located in Virginia, West Virginia, Pennsylvania, and Wyoming. We also sell coal produced by others, some of which is processed and/or blended with coal produced from our mines prior to resale, with the remainder purchased for resale by our trading operations.

The Company was formed to acquire and operate certain of Alpha Natural Resources, Inc.'s ("Alpha") former core coal operations, as part of the Alpha bankruptcy restructuring. We began operations on July 26, 2016, with mining complexes in Northern Appalachia (including the Cumberland mine complex), the Powder River Basin (Belle Ayr and Eagle Butte complexes), and three Central Appalachian mining complexes (the Nicholas mine complex in Nicholas County, West Virginia, and the McClure and Toms Creek mine complexes in Virginia). We also acquired Alpha's interest in the Dominion Terminal

Associates coal export terminal in eastern Virginia. Through the acquisition, Contura acquired 1.4 billion tons of proven and probable coal reserves, of which 1.0 billion tons were assigned to our active operations and 0.4 billion tons were unassigned. See Note 3 to the Consolidated Financial Statements included elsewhere in this report for disclosures related to the acquisition.

For the period from July 26, 2016 to December 31, 2016, sales of steam coal were 19.4 million tons and accounted for approximately 86% of our coal sales volume and sales of metallurgical coal, which generally sells at a premium over steam coal, were 3.1 million tons and accounted for approximately 14% of our coal sales volume.

Our sales of steam coal for the period from July 26, 2016 to December 31, 2016 were made primarily to large utilities and industrial customers throughout the United States, and our sales of metallurgical coal were made primarily to steel companies in the Northeastern and Midwestern regions of the United States and in several countries in Europe, Asia and South America. For the period from July 26, 2016 to December 31, 2016, approximately 52% of our total revenues were derived from coal sales made to customers outside the United States.

We have four reportable segments, Central Appalachia (“CAPP”) Operations, Northern Appalachia (“NAPP”) Operations, Powder River Basin (“PRB”) Operations, and Trading and Logistics Operations. CAPP consists of nine active mines, including five mines operated by third-party contractors, and two preparation plants in Virginia. CAPP also has one active mine and one preparation plant in West Virginia, as well as expenses associated with certain closed mines. NAPP consists of one active mine in Pennsylvania and one preparation plant, as well as expenses associated with one closed mine. PRB consists of two active mines in Wyoming. The Trading and Logistics segment focuses primarily on coal trading and coal terminal facility services. Our All Other category includes general corporate overhead and corporate assets and liabilities.

Results of Operations

Period from July 26, 2016 to December 31, 2016

Summary

Total revenues were \$689.4 million for the period from July 26, 2016 to December 31, 2016. The major components of total revenue were coal revenues of \$612.2 million, freight and handling revenues of \$70.6 million and other revenues of \$6.6 million. The coal revenues consisted of steam coal revenues of \$299.7 million and metallurgical coal revenues of \$312.5 million. The freight and handling revenues primarily consisted of freight and handling charges incurred in exporting metallurgical coal, for which we are reimbursed by our customers. These revenues are offset by equivalent freight and handling costs and do not contribute to our profitability. Other revenues primarily consisted of coal processing revenue, terminal fees and miscellaneous other revenues.

Net loss was \$10.9 million for the period from July 26, 2016 to December 31, 2016. The net loss was primarily due to the \$61.3 million of amortization of acquired intangibles, net, a \$34.0 million charge related to the mark-to-market adjustment of our derivative warrant liability offset by \$10.6 million of income related to the mark-to-market adjustment of our acquisition-related obligations.

Operating costs and expenses were \$654.9 million for the period from July 26, 2016 to December 31, 2016. Operating costs and expenses primarily consisted of \$468.1 million of cost of coal sales, \$70.5 million of freight and handling costs, \$44.0 million of depreciation, depletion and amortization, \$61.3 million of amortization of acquired intangibles, net, \$19.1 million of selling, general, and administrative expenses offset by \$10.6 million of income related to the mark-to-market adjustment of our acquisition-related obligations.

Coal sales volumes were 22.5 million tons for the period from July 26, 2016 to December 31, 2016. Coal sales volumes consisted of 19.4 million tons of steam coal and 3.1 million tons of metallurgical coal.

The average coal sales realization per ton is calculated as coal revenues divided by tons sold. The average coal sales realization per ton for steam coal and metallurgical coal was \$15.44 and \$101.86, respectively, for the period from July 26, 2016 to December 31, 2016. The overall average coal sales realization per ton was \$27.23 for the period from July 26, 2016 to December 31, 2016.

Coal margin percentage for our reportable segments and coal margin per ton for our reportable segments are non-GAAP financial measures. These non-GAAP financial measures are presented as supplemental measures and are not intended to replace financial performance measures determined in accordance with GAAP. Moreover, these measures are not calculated identically by all companies and therefore may not be comparable to similarly titled measures used by other companies. Coal

margin percentage and coal margin per ton are presented because management believes they are useful indicators of the financial performance of our coal operations. Coal margin percentage is calculated as coal revenues of our reportable segments less cost of coal sales of our reportable segments divided by coal revenues of our reportable segments.

Coal revenues for our Central Appalachian Operations and Trading and Logistics Operations included primarily metallurgical coal revenues with some minimal steam coal revenues. Coal revenues for our Northern Appalachian Operations included metallurgical coal revenues and steam coal revenues. Coal revenues for our Powder River Basin Operations included only steam coal revenues. Coal margin percentage is not shown for our All Other Category since it has no coal sales or coal production. Coal margin percentage for our CAPP Operations, NAPP Operations, PRB Operations and Trading and Logistics Operations was 30.9%, 17.8%, 22.0% and 23.7%, respectively, for the period from July 26, 2016 to December 31, 2016. Coal margin per ton for our reportable segments is calculated as coal sales realization per ton for our reportable segments less cost of coal sales per ton for our reportable segments. Coal margin per ton is not shown for our All Other Category since it has no coal sales or coal production. Coal margin per ton for our CAPP Operations, NAPP Operations, PRB Operations and Trading and Logistics Operations was \$30.73, \$8.03, \$2.38 and \$25.34, for the period from July 26, 2016 to December 31, 2016.

Period from July 26, 2016 (inception) to December 31, 2016		
(In thousands, except for per ton data)		
	Total	% of Total
Revenues:		
Coal revenues:		
Steam	\$ 299,744	44%
Metallurgical	312,503	45%
Freight and handling revenues	70,544	10%
Other revenues	6,628	1%
Total revenues	<u>\$ 689,419</u>	
Tons sold:		
Steam	19,413	86%
Metallurgical	3,068	14%
Total	<u>22,481</u>	
Coal sales realization per ton:		
Steam	\$ 15.44	
Metallurgical	\$ 101.86	
Average	\$ 27.23	

	Period from July 26, 2016 (inception) to December 31, 2016	
	(In thousands, except for per ton data)	
Coal Revenues ⁽¹⁾ :		
CAPP Operations	\$	137,981
NAPP Operations	\$	129,961
PRB Operations	\$	180,555
Trading and Logistics Operations	\$	163,750
Tons Sold ⁽¹⁾ :		
CAPP Operations		1,388
NAPP Operations		2,888
PRB Operations		16,674
Trading and Logistics Operations		1,531
Coal sales realization per ton ⁽¹⁾ :		
CAPP Operations	\$	99.41
NAPP Operations	\$	45.00
PRB Operations	\$	10.83
Trading and Logistics Operations	\$	106.96
Average	\$	27.23

⁽¹⁾ Our All Other Category, which has no coal sales or coal production, is not presented.

Coal revenues. The coal revenues of \$612.2 million for the period from July 26, 2016 to December 31, 2016 consisted of steam coal revenues of \$299.7 million, or 49% of total coal revenues, and metallurgical coal revenues of \$312.5 million, or 51% of total coal revenues.

Total steam coal revenues of \$299.7 million for the period from July 26, 2016 to December 31, 2016 consisted of \$118.6 million, or nearly 40%, from NAPP Operations, \$180.5 million, or 60% from PRB Operations, and \$0.6 million, or less than 1% from CAPP Operations.

Total metallurgical coal revenues of \$312.5 million for the period from July 26, 2016 to December 31, 2016 consisted of \$137.4 million, or 44% from CAPP Operations, \$11.4 million, or 4% from NAPP Operations, and \$163.7 million, or 52%, from Trading and Logistics Operations. Our Trading and Logistics Operations' coal revenues are substantially derived from sales of coal purchased pursuant to a long-term coal supply contract with our largest traded coal supplier.

Export coal revenues were \$291.5 million, or 48%, and domestic coal revenues were \$320.7 million, or 52%, of total coal revenues for the period from July 26, 2016 to December 31, 2016.

	Period from July 26, 2016 (inception) to December 31, 2016	
	(In thousands, except for per ton data)	
Cost of coal sales (exclusive of items shown separately below)	\$	468,051
Freight and handling costs		70,544
Other expenses		2,559
Depreciation, depletion and amortization		43,978
Amortization of acquired intangibles, net		61,281
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)		19,135
Mark-to-market adjustment - acquisition-related obligations		(10,616)
Total costs and expenses	\$	654,932
Cost of coal sales ⁽¹⁾ :		
CAPP Operations	\$	95,328
NAPP Operations	\$	106,781
PRB Operations	\$	140,803
Trading and Logistics Operations	\$	124,954
Tons Sold ⁽¹⁾ :		
CAPP Operations		1,388
NAPP Operations		2,888
PRB Operations		16,674
Trading and Logistics Operations		1,531
Cost of coal sales per ton ⁽¹⁾ :		
CAPP Operations	\$	68.68
NAPP Operations	\$	36.97
PRB Operations	\$	8.44
Trading and Logistics Operations	\$	81.62

⁽¹⁾ Our All Other Category, which has no coal sales or coal production, is not presented.

Cost of coal sales. Cost of coal sales of \$468.1 million for the period from July 26, 2016 to December 31, 2016 primarily consisted of labor and benefit expenses, supplies and maintenance expenses, sales-related costs associated with steam and metallurgical coal revenues, coal purchases, rail freight and royalty expenses. NAPP volumes and cost of coal sales were negatively affected by an abnormal rock intrusion which reduced production volumes for much of September. The Cumberland longwall has progressed beyond this geologic anomaly and further disruptions are not anticipated. NAPP production returned to normal levels after a longwall move was completed in mid-October. The cost of coal sales per ton for the PRB mines benefited from increased production volumes. CAPP cost of coal sales were elevated primarily due to strong metallurgical price realizations, which resulted in higher royalties and severance taxes.

Depreciation, depletion and amortization. Depreciation, depletion and amortization of \$44.0 million for the period from July 26, 2016 to December 31, 2016 primarily consisted of depreciation on mining equipment, depletion related to capitalized asset retirement obligation costs, and changes in future costs of asset retirement obligations.

Amortization of acquired intangibles, net. Amortization expense of acquired intangibles, net of \$61.3 million for the period from July 26, 2016 to December 31, 2016 was primarily comprised of the amortization of above-market contracts assumed in the acquisition. Amortization of these contracts is anticipated through 2020.

Selling, general and administrative expenses. Selling, general and administrative expenses of \$19.1 million for the period from July 26, 2016 to December 31, 2016 primarily consisted of wages and benefits, professional services, stock compensation, and expenses associated with the formation of the company.

Mark-to-market adjustment - acquisition-related obligations. The mark-to-market gain on acquisition-related obligations of \$10.6 million for the period from July 26, 2016 to December 31, 2016 consisted of a mark to market gain of \$17.4 million related to the Contingent Credit Support Commitment and a mark to market loss of \$6.8 million related to the Contingent Funding of Restricted Cash Reclamation. See Note 11 and Note 14 in the Consolidated Financial Statements included elsewhere in this report for disclosures related to acquisition-related obligations.

Interest expense. Interest expense of \$20.8 million for the period from July 26, 2016 to December 31, 2016 consisted of the accrued interest on debt instruments and acquisition-related obligations and the amortization of discounts.

Mark-to-market adjustment for warrant derivative liability. The mark-to-market loss on the warrant derivative liability of \$34.0 million for the period from July 26, 2016 to December 31, 2016 was a loss calculated using the Black-Scholes pricing model. See Note 14 and Note 15 in the Consolidated Financial Statements included elsewhere in this report for disclosures related to the warrant derivative liability.

Bargain purchase gain. Bargain purchase gain of \$7.7 million for the period from July 26, 2016 to December 31, 2016 resulted from the excess of the fair value of the acquired assets over liabilities assumed through the acquisition. See Note 3 in the Consolidated Financial Statements included elsewhere in this report for disclosures related to the acquisition and the bargain purchase gain.

Income taxes. Income tax benefit of \$1.4 million was recorded for the period from July 26, 2016 to December 31, 2016 on a loss before income taxes of \$12.3 million. The income tax benefit differs from the expected statutory amount primarily due to a decrease in the valuation allowance, the impact of the non-taxable bargain purchase gain, and the impact of the percentage depletion allowance, which was more than offset by the impact of the non-deductible mark-to-market adjustment for the warrant derivative liability and the impact of the expiration of a charitable contribution carryforward.

Segment Adjusted EBITDA

We have four reportable segments: CAPP Operations, NAPP Operations, PRB Operations and Trading and Logistics Operations. In evaluating operating performance in each segment, management uses, among other factors, total revenues and adjusted EBITDA. The following table presents a reconciliation of adjusted EBITDA to net income (loss) by segment for the period from July 26, 2016 to December 31, 2016 (in thousands):

	Period from July 26, 2016 (inception) to December 31, 2016					
	CAPP	NAPP	PRB	Trading and Logistics	All Other	Consolidated
Net income (loss)	\$ 37,436	\$ 26,434	\$ 1,467	\$ (22,053)	\$ (54,214)	\$ (10,930)
Interest expense	97	171	296	—	20,228	20,792
Interest income	(6)	—	—	—	(17)	(23)
Income tax benefit	—	—	—	—	(1,369)	(1,369)
Depreciation, depletion and amortization	6,442	(772)	38,005	—	303	43,978
Mark-to-market adjustment for warrant derivative liability	—	—	—	—	33,975	33,975
Bargain purchase gain	—	—	—	—	(7,719)	(7,719)
Mark-to-market adjustment - acquisition-related obligations	—	—	—	—	(10,616)	(10,616)
Amortization of acquired intangibles, net	—	—	—	61,281	—	61,281
Adjusted EBITDA	\$ 43,969	\$ 25,833	\$ 39,768	\$ 39,228	\$ (19,429)	\$ 129,369

Quarterly Financial Information

	Period from July 26, 2016 (inception) to December 31, 2016	
	Period from July 26, 2016 (inception) to September 30, 2016	Fourth Quarter
Total revenues	\$ 245,413	\$ 444,006
Net (loss) income ⁽¹⁾	\$ (45,796)	\$ 34,866
Basic (loss) income per share ⁽¹⁾	\$ (4.44)	\$ 3.38
Diluted (loss) income per share ⁽¹⁾	\$ (4.44)	\$ 3.24

⁽¹⁾ The period from July 26, 2016 to September 30, 2016 includes an adjustment of \$5,380 to increase income related to the mark-to-market adjustment for the warrant derivative liability. The adjustment results from a change in volatility input of the pricing model to reflect the Company's equity appreciation from the acquisition date. The adjustment decreased the basic and diluted loss per share by \$0.52 for the period from July 26, 2016 to September 30, 2016.

Liquidity and Capital Resources

Our primary liquidity and capital resource requirements stem from the cost of our coal production and purchases, our capital expenditures, our debt service, our reclamation obligations, our regulatory costs and settlements and associated costs. Our primary sources of liquidity are derived from sales of coal, our debt financing and miscellaneous revenues.

We believe that cash on hand and cash generated from our operations will be sufficient to meet our working capital requirements, anticipated capital expenditures, debt service requirements, acquisition-related obligations, and reclamation obligations.

At December 31, 2016, we had total liquidity of \$127.9 million, comprised of cash and cash equivalents.

To secure our obligations under certain workers' compensation and reclamation-related bonds, we are required to provide cash collateral. At December 31, 2016, we had cash collateral in the amounts of \$43.3 million and \$52.6 million classified as long-term restricted cash and long-term deposits, respectively, on the Consolidated Balance Sheet.

Cash Flows

Cash and cash equivalents increased by \$127.9 million over the period from July 26, 2016 to December 31, 2016. The net change in cash and cash equivalents was attributable to the following:

	Period from July 26, 2016 (inception) to December 31, 2016
Cash Flows (in thousands):	
Net cash provided by operating activities	68,180
Net cash provided by investing activities	18,290
Net cash provided by financing activities	41,478
Net increase in cash and cash equivalents	<u>\$ 127,948</u>

Net cash provided by operating activities for the period from July 26, 2016 to December 31, 2016 was \$68.2 million. Non-cash amounts included in net loss for the period from July 26, 2016 to December 31, 2016 were primarily related to depreciation, depletion and amortization, amortization of acquired intangibles, net, the mark-to-market adjustment for the warrants derivative liability, mark-to-market adjustment for acquisition related obligations and accretion of asset retirement obligations.

Net cash provided by investing activities for the period from July 26, 2016 to December 31, 2016 was \$18.3 million. The cash provided by investing activities for the period from July 26, 2016 to December 31, 2016 primarily included cash acquired in acquisition of \$51.0 million offset by capital expenditures of \$34.5 million.

Net cash provided by financing activities for the period from July 26, 2016 to December 31, 2016 was \$41.5 million. The cash provided by financing activities for the period from July 26, 2016 to December 31, 2016 primarily included \$42.5 million of proceeds from borrowings on debt.

Long-Term Debt

See Note 10 in the Consolidated Financial Statements included elsewhere in this report for disclosures on long-term debt.

Acquisition-Related Obligations

As of December 31, 2016, our acquisition-related obligations consisted of the following (in thousands):

	December 31, 2016
Retiree Committee VEBA Funding Settlement Liability	\$ 10,000
UMWA Funds Settlement Liability	7,500
UMWA VEBA Funding Settlement Liability	9,300
UMWA Contingent VEBA Funding Note 1	8,750
UMWA Contingent VEBA Funding Note 2	8,750
Reclamation Funding Liability	42,000
Contingent Reclamation Funding Liability	20,370
Contingent Credit Support Commitment	4,567
Other	2,261
Discount	(27,152)
Total acquisition-related obligations - long-term	86,346
Less current portion	(27,258)
Acquisition-related obligations, net of current portion	\$ 59,088

We entered into various settlement agreements with Alpha and/or the Alpha bankruptcy successor ANR, Inc. ("ANR") and third parties as part of the Alpha bankruptcy reorganization process. We assumed acquisition-related obligations through those settlement agreements which became effective on July 26, 2016, the effective date of Alpha's plan of reorganization.

Contingent Credit Support Commitment

The Contingent Credit Support Commitment ("Contingent Commitment") is an unsecured obligation to ANR that requires us to provide ANR with revolving credit support in an aggregate total amount of \$35.0 million from July 26, 2016 ("Effective Date") through September 30, 2018. ANR is entitled to draw against the Contingent Commitment if, and only if, the amount of cash and cash equivalents on ANR's balance sheet falls below \$20.0 million at any time prior to September 30, 2018 (the amount of any such shortfall, the "Shortfall"), in which case, ANR is entitled to draw against the Contingent Commitment an amount equal to the lesser of the Shortfall and the then-remaining undrawn amount of the Contingent Commitment. ANR is able to draw upon and repay the Contingent Commitment as necessary through September 30, 2018. We must fund a draw on the Contingent Commitment within 10 business days of notice from ANR. ANR will be required to repay the funds drawn against the Contingent Commitment (i) prior to September 30, 2018 to the extent the amount of cash and cash equivalents on ANR's balance sheet is greater than \$20.0 million as of the end of any calendar quarter ending on or before September 30, 2018 (exclusive of the amount outstanding from the Contingent Commitment) or (ii) if any amounts are outstanding under the Contingent Commitment after September 30, 2018, to the extent the amount of cash and cash equivalents on ANR's balance sheet at the end of any calendar quarter is greater than \$30.0 million (exclusive of the amount outstanding from the Contingent Commitment), within 10 business days following the closing of its books for the relevant calendar quarter. Notwithstanding the above, all outstanding balances under the Contingent Commitment must be repaid by September 30, 2019.

As of December 31, 2016, ANR had not drawn against the Contingent Commitment. We are electing to use the fair value option to measure this liability at each reporting period. During the period from July 26, 2016 to December 31, 2016, we recorded a mark to market non-cash gain of \$17.4 million, which is classified as other operating income in the Consolidated Statement of Operations. As of December 31, 2016, the carrying value of the Contingent Commitment was \$4.6 million, all of which is classified as a loan commitment within acquisition-related obligations - current in the Consolidated Balance Sheet.

Retiree Committee VEBA Funding Settlement

The Retiree Committee Settlement Agreement requires us to provide funding to the voluntary employees' beneficiary association fund ("VEBA") established by the retiree committee, which represented the interests of certain non-union Alpha retirees during the Alpha bankruptcy case, in an aggregate nominal amount of \$13.0 million (the "Retiree Committee VEBA

Funding Settlement Liability") for the benefit of the VEBA beneficiaries pursuant to the following schedule: (a) \$3.0 million within 10 business days after the later of the Effective Date or Alpha Natural Resources, Inc. and such subsidiaries ("Debtors") receipt of written notice; (b) \$3.0 million on January 1, 2017; (c) \$3.5 million on January 1, 2018; (d) \$2.5 million on January 1, 2019; and (e) \$1.0 million on January 1, 2020. The initial \$3.0 million installment was paid as part of the Alpha bankruptcy settlement process and is therefore not reflected in our cash flows for the period from July 26, 2016 to December 31, 2016.

As of December 31, 2016, the carrying value of the Retiree Committee VEBA Funding Settlement liability is \$8.3 million, net of discount of \$1.7 million, and was classified as an acquisition-related obligation, with \$3.0 million classified as current in the Consolidated Balance Sheet.

UMWA Funds Settlement

The United Mine Workers of America ("UMWA") Funds Settlement ("UMWA Funds Settlement") provides for the Coal Act Funds, the 1974 Pension Plan, the 1993 Benefit Plan, the CDSP and the Account Plan (collectively, the "UMWA Funds") to receive an initial distribution of \$2.5 million in cash (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the Effective Date. We are required to make periodic cash payments (to be allocated among the UMWA Funds by the UMWA Funds in their discretion) on the dates and in the amounts listed: December 31, 2017: \$0.5 million; December 31, 2018: \$1.0 million; December 31, 2019: \$2.0 million; December 31, 2020: \$2.0 million; December 31, 2021: \$2.0 million. The initial distribution of \$2.5 million was paid as part of the Alpha bankruptcy settlement process and is not reflected in our cash flows for the period from July 26, 2016 to December 31, 2016.

As of December 31, 2016, the carrying value of the UMWA Funding Settlement liability was \$4.0 million, net of discount of \$3.5 million, and was classified as an acquisition-related obligation, with \$0.5 million classified as current in the Consolidated Balance Sheet.

UMWA VEBA Funding and Contingent Notes Settlements

UMWA VEBA Funding

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, we were required to contribute \$10.0 million to a voluntary employees' beneficiary association fund (the "VEBA trust") on or before the Effective Date. Beginning on November 1, 2016, and again on the first of each month through April 1, 2017, we are required to deposit \$3.0 million into the VEBA trust (total of \$18.0 million in six monthly payments). On or before November 15, 2016, and February 15, 2017 we are required to deposit \$0.3 million into the VEBA trust (total of \$0.6 million in two payments). The initial \$10.0 million contribution was paid as part of the Alpha bankruptcy settlement process and is not reflected in our cash flows for the period from July 26, 2016 to December 31, 2016. During the period from July 26, 2016 to December 31, 2016, we made \$9.3 million of the required deposits, all of which was classified as operating activities in the Consolidated Statement of Cash Flows.

As of December 31, 2016, the carrying value of the UMWA VEBA Funding Settlement liability is \$9.0 million, net of discount of \$0.3 million, all of which was classified as an acquisition-related obligation - current in the Consolidated Balance Sheet.

UMWA Contingent VEBA Funding Notes

Pursuant to the UMWA VEBA Funding Settlement agreement entered into on July 5, 2016, if federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if monies under the legislation have not become available for the benefits before August 1, 2017, on August 1, 2017, we are required to issue to the VEBA a 7-year 5% unsecured note ("UMWA Contingent VEBA Funding Note 1") with a face value of \$8.8 million. The note will have a maturity of 7 years and will be subordinate to our Senior Secured First Lien Notes.

As of December 31, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 1 was \$4.3 million, net of discount of \$4.4 million, all of which was classified as an acquisition-related obligation - long-term in the Consolidated Balance Sheet.

If federal legislation providing retirement benefits to the UMWA Retirees has not been enacted or if moneys under the legislation have not become available for the benefits before December 1, 2017, on December 1, 2017, we are also required to issue to the VEBA a 7-year 5% unsecured note ("UMWA Contingent VEBA Funding Note 2") with a face value of \$8.8 million. The note will have a maturity of 7 years and will be subordinate to our Senior Secured First Lien Notes.

As of December 31, 2016, the carrying value of the UMWA Contingent VEBA Funding Note 2 was \$4.3 million, net of discount of \$4.5 million, all of which was classified as an acquisition-related obligation - long-term in the Consolidated Balance Sheet.

Reclamation Funding Agreement

Pursuant to the Reclamation Funding Agreement dated July 12, 2016, separate interest bearing segregated deposit accounts ("Restricted Cash Reclamation Accounts") were established for certain applicable federal and state environmental regulatory authorities to provide certain funding for the reclamation, mitigation and water treatment, and certain management work to be done at reclaim-only sites related to certain obligations under the various permits associated with ANR's retained assets.

Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, we must pay the aggregate amount of \$50.0 million into the various Restricted Cash Reclamation Accounts as follows: \$8.0 million immediately upon the Effective Date; \$10.0 million on the anniversary of the Effective Date in each of 2017, 2018, and 2019; and \$12.0 million on the anniversary of the Effective Date in 2020. The initial \$8.0 million payment was paid as part of the Alpha bankruptcy settlement process and is not reflected in our cash flows for the period from July 26, 2016 to December 31, 2016.

As of December 31, 2016, the carrying value of the Funding of Restricted Cash Reclamation liability is \$29.2 million, net of discount of \$12.8 million, with \$10.0 million classified as current, all of which was classified as an acquisition-related obligation in the Consolidated Balance Sheet.

Contingent Funding of Restricted Cash Reclamation

Pursuant to the Reclamation Funding Agreement, under certain circumstances, we will be required to pay up to an aggregate amount of \$50.0 million into various Restricted Cash Reclamation Accounts from 2021 through 2025 as follows: (1) if ANR does not contribute \$50.0 million of free cash flow, as defined in the agreement, into the Restricted Cash Reclamation Accounts through December 31, 2020; and (2) if ANR makes any reorganized ANR contingent revenue payment, as defined in the agreement, that reduces the amount of free cash flow that ANR otherwise would have contributed to the Restricted Cash Reclamation Accounts, then we will be obligated to pay the amount of the difference between (a) the amount of free cash flow that ANR would have contributed to the Restricted Cash Reclamation Accounts had it not made such reorganized ANR contingent revenue payment and (b) the amount of free cash flow actually contributed.

We are electing to use the fair value option to measure this liability at each reporting period. During the period from July 26, 2016 to December 31, 2016, we recorded a mark to market non-cash loss of \$6.8 million which is classified as other operating income (loss) in the Consolidated Statement of Operations. As of December 31, 2016, the carrying value of the Contingent Funding of Restricted Cash Reclamation liability was \$20.4 million, all of which was classified as an acquisition-related obligation - long-term in the Consolidated Balance Sheet.

Warrants

On July 26, 2016 (the "Initial Issue Date"), we issued 810,811 warrants, each with an initial exercise price of \$55.93 per share of common stock and exercisable for one share of our common stock, par value \$0.01 per share. The warrants are exercisable for cash or on a cashless basis at any time from the Initial Issue Date until July 26, 2023. The warrants are classified as a derivative liability and are initially and subsequently marked to market with changes in value reflected in earnings.

Capital Leases

Our liability for capital leases as of December 31, 2016 totaled \$2.7 million, with \$1.0 million reported as current portion of long-term debt.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to certain off-balance sheet arrangements. These arrangements include guarantees, operating leases, indemnifications and financial instruments with off-balance sheet risk, such as bank letters of credit and performance or surety bonds. Obligations related to these arrangements are not reflected in our Consolidated Balance Sheet. However, the underlying liabilities that they secure, such as asset retirement obligations, workers' compensation liabilities, and royalty obligations, are reflected in our Consolidated Balance Sheet.

We are required to provide financial assurance in order to perform the post-mining reclamation required by our mining permits, pay our federal production royalties, pay workers' compensation claims under workers' compensation laws in various states, pay federal black lung benefits, and perform certain other obligations. In order to provide the required financial assurance, we generally use surety bonds for post-mining reclamation and workers' compensation obligations. We can also use bank letters of credit to collateralize certain obligations.

As of December 31, 2016, we had outstanding surety bonds with a total face amount of \$315.1 million to secure various obligations and commitments. To secure our obligations under these bonds, we had cash collateral in the amounts of \$43.3 million and \$52.6 million classified as long-term restricted cash and long-term deposits, respectively, on the Consolidated Balance Sheet as of December 31, 2016.

As of December 31, 2016, we had mining equipment and real property collateralizing \$102.4 million of reclamation bonds.

We meet frequently with our surety providers and have discussions with certain providers regarding the extent of and the terms of their participation in the program. These discussions may cause us to shift surety bonds between providers or to alter the terms of their participation in our program. In the event that additional surety bonds become unavailable or our surety bond providers require additional collateral, we would seek to secure our obligations with letters of credit, cash deposits or other suitable forms of collateral. Our failure to maintain, or inability to acquire, surety bonds or to provide a suitable alternative would have a material adverse effect on our liquidity. These failures could result from a variety of factors including lack of availability, higher cost or unfavorable market terms of new surety bonds, and the exercise by third-party surety bond issuers of their right to refuse to renew the surety.

Other

As a regular part of our business, we review opportunities for, and engage in discussions and negotiations concerning, the acquisition or disposition of coal mining and related infrastructure assets and interests in coal mining companies, and acquisitions or dispositions of, or combinations or other strategic transactions involving companies with coal mining or other energy assets. When we believe that these opportunities are consistent with our strategic plans and our acquisition or disposition criteria, we will make bids or proposals and/or enter into letters of intent and other similar agreements. These bids or proposals, which may be binding or nonbinding, are customarily subject to a variety of conditions and usually permit us to terminate the discussions and any related agreement if, among other things, we are not satisfied with the results of due diligence. Any acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. There can be no assurance that additional financing will be available on terms acceptable to us, or at all.

Contractual Obligations

The following is a summary of our significant contractual obligations as of December 31, 2016 (in thousands):

	2017	2018-2019	2020-2021	After 2021	Total
Long-term debt ^{(1),(2)}	\$ —	\$ 14,000	\$ 342,500	\$ —	\$ 356,500
Other debt ⁽³⁾	1,317	2,962	—	—	4,279
Capital lease obligations ⁽⁴⁾	1,007	1,738	—	—	2,745
Acquisition-related obligations ^{(5),(6)}	22,800	29,000	17,000	17,500	86,300
Equipment purchase commitments	16,829	—	—	—	16,829
Maintenance and repairs contracts	22,374	25,326	12,651	4,830	65,181
Transportation commitments	921	6,114	3,102	—	10,137
Operating leases	1,147	802	76	363	2,388
Minimum royalties	3,284	1,315	468	734	5,801
Coal purchase commitments	47,021	—	—	—	47,021
Other ⁽⁷⁾	2,197	4,393	2,197	—	8,787
Total	\$ 118,897	\$ 85,650	\$ 377,994	\$ 23,427	\$ 605,968

⁽¹⁾ Long-term debt includes principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates ranging between 6.00% and 10.00% on our loans, would be approximately \$33,067 in 2017, \$65,258 in 2018 to 2019, and \$49,621 in 2020 to 2021.

- (2) On March 17, 2017, the Company entered into a \$400,000 Term Loan Credit Facility with a maturity date in 2024. In connection with the transaction, the Company will pay all of its outstanding 10.00% Senior Secured First Lien Notes due 2021. The proceeds of the Term Loan Credit Facility will also be used to repay the Term Facility due 2020, the Closing Tranche Term Loan due 2018 and the GUC Distribution Note due 2018. See Note 24 in the Consolidated Financial Statements included elsewhere in this report for disclosures related to this subsequent event.
- (3) Other debt includes principal amounts due in the years shown. Cash interest payable on these obligations, with an interest rate of 4.49%, would be approximately \$133 in 2017 and \$71 in 2018.
- (4) Capital lease obligations include principal amounts due in the years shown. Cash interest payable on these obligations with interest rates ranging between 4.72% and 9.50%, would be approximately \$146 in 2017 and \$106 in 2018 to 2019.
- (5) Acquisition-related obligations includes principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates of 5.00%, would be approximately \$219 in 2017, \$1,750 in 2018 to 2019, \$1,750 in 2020 to 2021, and \$2,406 after 2021.
- (6) Certain contingent liabilities and guarantees are excluded from the table above, for which the timing of payments are not estimable. See Note 11 for further disclosures related to these contingent liabilities and guarantees.
- (7) Personal property taxes assumed pursuant to the bankruptcy settlement include principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates ranging between 5% and 18%, would be approximately \$662 in 2017, \$545 in 2018 to 2019, and \$109 in 2020. Real estate taxes assumed pursuant to the bankruptcy settlement include principal amounts due in the years shown. Cash interest payable on these obligations, with interest rates ranging between 5% and 18%, would be approximately \$849 in 2017, \$599 in 2018 to 2019, and \$120 in 2020.

Additionally, we have long-term liabilities relating to asset retirement obligations, black lung benefits, life insurance benefits, and workers' compensation benefits. The table below reflects the estimated undiscounted cash flows for these obligations (in thousands):

	2017	2018-2019	2020-2021	After 2021	Total
Asset retirement obligation	\$ 4,405	\$ 10,744	\$ 113,436	\$ 386,970	\$ 515,555
Black lung benefit obligation	—	—	16	43,184	43,200
Life insurance benefit obligation	866	1,533	1,349	18,854	22,602
Workers' compensation benefit obligation	3,990	4,445	2,632	7,485	18,552
Total	\$ 9,261	\$ 16,722	\$ 117,433	\$ 456,493	\$ 599,909

We expect to spend between \$90 million and \$110 million on capital expenditures during 2017.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other factors and assumptions, including the current economic environment that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis and adjust such estimates and assumptions as facts and circumstances require. Illiquid credit markets, foreign currency and energy markets, and fluctuations in demand for steel products have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results may differ significantly from these estimates. Changes in these estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Business Combinations. We account for our business combinations under the acquisition method of accounting. The total cost of acquisitions is allocated to the underlying identifiable net tangible and intangible assets based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items.

Reclamation. Our asset retirement obligations arise from the federal Surface Mining Control and Reclamation Act of 1977 and similar state statutes, which require that mine property be restored in accordance with specified standards and an approved reclamation plan. Significant reclamation activities include reclaiming refuse and slurry ponds, reclaiming the pit and support acreage at surface mines, sealing portals at deep mines and the treatment of water. We determine the future cash flows

necessary to satisfy our reclamation obligations on a permit-by-permit basis based upon current permit requirements and various estimates and assumptions, including estimates of disturbed acreage, cost estimates, and assumptions regarding productivity. We are also faced with increasingly stringent environmental regulation, much of which is beyond our control, which could increase our costs and materially increase our asset retirement obligations. Estimates of disturbed acreage are determined based on approved mining plans and related engineering data. Cost estimates are based upon third-party costs. Productivity assumptions are based on historical experience with the equipment that is expected to be utilized in the reclamation activities. Our asset retirement obligations are initially recorded at fair value. In order to determine fair value, we use assumptions including a discount rate and third-party margin. Each is discussed further below:

- *Discount Rate.* Asset retirement obligations are initially recorded at fair value. We utilize discounted cash flow techniques to estimate the fair value of our obligations. We base our discount rate on the rates of treasury bonds with maturities similar to expected mine lives and adjust for our credit standing as necessary after considering funding and assurance provisions. Changes in our credit standing could have a material impact on our asset retirement obligations.
- *Third-Party Margin.* The measurement of an obligation at fair value is based upon the amount a third party would demand to perform the obligation. Because we plan to perform a significant amount of the reclamation activities with internal resources, a third-party margin was added to the estimated costs of these activities. This margin was estimated based upon our historical experience with contractors performing similar types of reclamation activities. The inclusion of this margin will result in a recorded obligation that is greater than our estimates of our cost to perform the reclamation activities. If our cost estimates are accurate, the excess of the recorded obligation over the cost incurred to perform the work will be recorded as a gain at the time that reclamation work is completed.

On at least an annual basis, we review our reclamation liabilities and make necessary adjustments for permit changes as granted by state authorities, additional costs resulting from accelerated mine closures, and revisions to cost estimates and productivity assumptions, to reflect current experience and updated plans. At December 31, 2016, we had recorded asset retirement obligation liabilities of \$191.4 million, including amounts reported as current. While the precise amount of these future costs cannot be determined with certainty, as of December 31, 2016, we estimate that the aggregate undiscounted cost of final mine closures is approximately \$515.6 million.

Coal Reserves. There are numerous uncertainties inherent in estimating quantities of economically recoverable coal reserves, many of which are beyond our control. As a result, estimates of economically recoverable coal reserves are by their nature uncertain. Information about our reserves consists of estimates based on engineering, economic and geological data assembled by our internal engineers and geologists. Some of the factors and assumptions that impact economically recoverable reserve estimates include:

- geological conditions;
- historical production from the area compared with production from other producing areas;
- the assumed effects of regulations and taxes by governmental agencies;
- assumptions governing future prices;
- current mine plans; and
- future operating costs.

Each of these factors may vary considerably from the assumptions used in estimating reserves. For these reasons, estimates of the economically recoverable quantities of coal attributable to a particular group of properties, and classifications of these reserves based on risk of recovery and estimates of future net cash flows, may vary substantially. Actual production, revenues and expenditures with respect to reserves will likely vary from estimates, and these variances may be material. Variances could affect our projected future revenues and expenditures, as well as the valuation of coal reserves. At December 31, 2016, we had 1.3 billion tons of proven and probable coal reserves, of which 0.7 billion tons were assigned to our active operations and 0.6 billion tons were unassigned.

Workers' Compensation. Individuals who sustain personal injuries due to job-related accidents may be compensated for their disabilities, medical costs, and on some occasions, for the costs of their rehabilitation, and the survivors of workers who suffer fatal injuries may receive compensation for lost financial support. The workers' compensation laws are administered by state agencies with each state having its own set of rules and regulations regarding compensation that is owed to an employee who is injured in the course of employment. Our obligations are partially covered through high-deductible third party insurance policies. We accrue for any liability by recognizing costs when it is probable that a covered liability has been incurred and the cost can be reasonably estimated. Our estimates of these costs are adjusted based upon actuarial studies. Actual losses may differ from these estimates, which could increase or decrease our costs. At December 31, 2016, we had workers' compensation obligations of \$21.5 million primarily related to obligations assumed in the acquisition.

Coal Workers' Pneumoconiosis. We are required by federal and state statutes to provide benefits to employees for awards related to coal workers' pneumoconiosis disease (black lung). Our subsidiaries are insured for black lung obligations by a third-party insurance provider using high-deductible plans. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. As of December 31, 2016, we had estimated black lung obligations of approximately \$13.5 million.

Life Insurance Benefits. As part of the Alpha bankruptcy restructuring and the Retiree Committee Agreement, we assumed the liability for life insurance benefits for certain disabled and non-union retired employees. Provisions are made for estimated benefits based on annual evaluations prepared by independent actuaries. As of December 31, 2016, we had estimated life insurance benefit obligations of approximately \$12.6 million.

Warrant Derivative Liability. We issued Series A Warrants on July 26, 2016 and classified the warrants as a derivative liability as they possess an underlying amount (stock price), a notional amount (number of shares), require no initial net investment, and allow for net share settlement. The warrants are fair-valued using a Black-Scholes pricing model and marked to market at each reporting period with changes in value reflected in earnings. As of December 31, 2016, we had warrant derivative liability of approximately \$35.1 million.

Income Taxes. We recognize deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. In evaluating our ability to recover our deferred tax assets within the jurisdiction in which they arise, we consider all available positive and negative evidence, including the expected reversals of deferred tax liabilities, projected future taxable income, taxable income available via carryback to prior years, tax planning strategies, and results of recent operations. Due to our formation through acquisition of the core coal assets of Alpha as part of the Alpha bankruptcy restructuring, a lack of history of operating results, and ownership change limitations applicable to net operating loss and other carryforwards, a full valuation allowance is currently recorded against the net deferred tax assets of the Company.

Asset Impairment. U.S. GAAP requires that a long-lived asset group that is held and used should be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset group might not be recoverable. Testing long-lived assets for impairment after indicators of impairment have been identified is a two-step process. Step one compares the net undiscounted cash flows of an asset group to its carrying value. If the carrying value of an asset group exceeds the net undiscounted cash flows of that asset group, step two is performed whereby the fair value of the asset group is estimated and compared to its carrying amount. The amount of impairment, if any, is equal to the excess of the carrying value of an asset group over its estimated fair value. The amount of impairment, if any, is allocated to the long-lived assets on a pro-rata basis, except that the carrying value of the individual long-lived assets are not reduced below their estimated fair value. Long-lived assets located in a close geographic area are grouped together for purposes of impairment testing when, after considering revenue and cost interdependencies, circumstances indicate the assets are used together to produce future cash flows. Our asset groups generally consist of the assets and applicable liabilities of one or more mines and preparation plants and associated coal reserves for which cash flows are largely independent of cash flows of other mines, preparation plants and associated reserves.

Acquisition-Related Obligations. We entered into various settlement agreements with Alpha and/or the Alpha bankruptcy successor ANR and third parties as part of the Alpha bankruptcy reorganization process. We assumed acquisition-related obligations through those settlement agreements which became effective on July 26, 2016, the effective date of Alpha's plan of reorganization. These acquisition-related obligations include financial instruments which are fair valued on a recurring basis. Observable transactions are not available to aid in determining the fair value. Therefore, the fair value is derived by using the expected present value approach in which estimated cash flows are discounted using a risk-free interest rate adjusted for market risk. See Note 11 and Note 14 in the Consolidated Financial Statements included elsewhere in this report for disclosures related to acquisition-related obligations.

New Accounting Pronouncements. See Note 2 in the Consolidated Financial Statements included elsewhere in this report for disclosures related to new accounting policies adopted.

**Reconciliation of EBITDA to Audited Operating and Cash Flow Statements
as of December 31, 2016**

The information below is provided solely to comply with Section 20(A) of the warrants to acquire common stock of Contura Energy, Inc. (the “Company”) dated July 26, 2016 and with Section 10(a)(ii) of the registration rights agreement, dated July 26, 2016, as amended, by and among the Company and certain holders of its common stock party thereto. This information is not part of the Company’s Consolidated Financial Statements and Report as of December 31, 2016 and for the Period from July 26, 2016 (Inception) to December 31, 2016 and is unaudited.

Warrants Agreement
Section 20 - Annual Statements and Appraisals, Item (A), a calculation of EBITDA with a reconciliation to the audited operating and cash flow statements
(Dollars in thousands)

	Period from July 26, 2016 (inception) to December 31, 2016		Period from July 26, 2016 (inception) to December 31, 2016
Revenues:		EBITDA	
Coal revenues	\$ 612,247	Interest expense	\$ 113,729
Freight and handling revenues	70,544	Interest income	(20,792)
Other revenues	6,628	Income tax benefit	23
Total revenues	689,419	Depreciation, depletion and amortization	1,369
Costs and expenses:		Amortization of acquired intangibles, net	(43,978)
Cost of coal sales (exclusive of items shown separately below)	468,051		(61,281)
Freight and handling costs	70,544	Operating activities:	
Other expenses	2,559	Net loss	(10,930)
Depreciation, depletion and amortization	43,978	Adjustments to reconcile net loss to net cash provided by operating activities:	
Amortization of acquired intangibles, net	61,281	Depreciation, depletion and amortization	43,978
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	19,135	Amortization of acquired intangibles, net	61,281
Mark-to-market adjustment - acquisition-related obligations	(10,616)	Accretion of acquisition-related obligations discount	4,936
Total costs and expenses	654,932	Mark-to-market adjustment for warrants derivative liability	33,975
Income from operations	34,487	Mark-to-market adjustment for acquisition-related obligations	(10,616)
Other income (expense):		Bargain purchase gain	(7,719)
Interest expense	(20,792)	Accretion of asset retirement obligations	10,819
Interest income	23	Employee benefit plans, net	3,154
Mark-to-market adjustment for warrant derivative liability	(33,975)	Other, net	1,637
Bargain purchase gain	7,719	Changes in operating assets and liabilities:	
Miscellaneous income, net	239	Trade accounts receivable, net	(114,244)
Total other expense, net	(46,786)	Inventories, net	(32,046)
Loss before income taxes	(12,299)	Prepaid expenses and other current assets	(1,096)
Income tax benefit	1,369	Long-term restricted cash	49,459
Net loss	(10,930)	Long-term deposits	(55,407)
Interest expense	20,792	Other non-current assets	(14,681)
Interest income	(23)	Trade accounts payable	59,242
Income tax benefit	(1,369)	Accrued expenses and other current liabilities	51,053
Depreciation, depletion and amortization	43,978	Asset retirement obligations	(514)
Amortization of acquired intangibles, net	61,281	Acquisition-related obligations	(9,300)
EBITDA	\$ 113,729	Other non-current liabilities	5,199
		Net cash provided by operating activities	68,180
		Investing activities:	
		Capital expenditures	(34,497)
		Proceeds from sale of property, plant and equipment	1,787
		Cash acquired in acquisition	51,000
		Net cash provided by investing activities	18,290
		Financing activities:	
		Proceeds from borrowings on long-term debt	42,500
		Principal repayments of capital lease and capital financing obligations	(243)
		Debt issuance costs	(243)
		Principal repayments of notes payable	(536)
		Net cash provided by financing activities	41,478
		Net increase in cash and cash equivalents	127,948
		Cash and cash equivalents at beginning of period	-
		Cash and cash equivalents at end of period	\$ 127,948

CONTURA ENERGY, INC.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2017

TABLE OF CONTENTS

<u>Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Statement of Operations (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheet (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statement of Cash Flows (Unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statement of Stockholders' Equity (Unaudited)</u>	<u>6</u>

Financial Statements

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
(Amounts in thousands, except share and per share data)

	Three Months Ended March 31, 2017
Revenues:	
Coal revenues	\$ 508,890
Freight and handling revenues	60,223
Other revenues	4,320
Total revenues	<u>573,433</u>
Costs and expenses:	
Cost of coal sales (exclusive of items shown separately below)	368,152
Freight and handling costs	60,223
Other expenses	1,453
Depreciation, depletion and amortization	16,931
Amortization of acquired intangibles, net	19,658
Selling, general and administrative expenses (exclusive of depreciation, depletion and amortization shown separately above)	13,829
Secondary offering costs	942
Mark-to-market adjustment - acquisition-related obligations	(4,357)
Total costs and expenses	<u>476,831</u>
Income from operations	<u>96,602</u>
Other income (expense):	
Interest expense	(11,468)
Interest income	31
Loss on early extinguishment of debt	(38,701)
Mark-to-market adjustment for warrant derivative liability	2,160
Equity loss in affiliates	(1,211)
Miscellaneous income, net	205
Total other expense, net	<u>(48,984)</u>
Income before income taxes	47,618
Income tax expense	(10,347)
Net income	<u>\$ 37,271</u>
Basic income per common share	\$ 3.62
Diluted income per common share	\$ 3.47
Weighted average shares - basic	10,309,428
Weighted average shares - diluted	10,728,281

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
(Amounts in thousands, except share and per share data)

	March 31, 2017
Assets	
Current assets:	
Cash and cash equivalents	\$ 240,607
Trade accounts receivable, net	136,458
Inventories, net	63,625
Assets held for sale	1,714
Prepaid expenses and other current assets	34,870
Total current assets	477,274
Property, plant, and equipment, net	316,035
Other acquired intangibles (net of accumulated amortization of \$81,509)	67,491
Long-term restricted cash	49,321
Long-term deposits	55,435
Other non-current assets	34,343
Total assets	\$ 999,899
Liabilities and Stockholders' Equity	
Current liabilities:	
Current portion of long-term debt	\$ 6,461
Trade accounts payable	87,807
Acquisition-related obligations - current	19,218
Accrued expenses and other current liabilities	81,379
Total current liabilities	194,865
Long-term debt	384,893
Acquisition-related obligations - long-term	52,884
Asset retirement obligations	192,091
Other non-current liabilities	99,287
Total liabilities	924,020
Stockholders' Equity	
Preferred stock - par value \$0.01, 2.0 million shares authorized, none issued	—
Common stock - par value \$0.01, 20.0 million shares authorized, 10.3 million issued and outstanding at March 31, 2017	103
Additional paid-in capital	47,420
Accumulated other comprehensive income	2,016
Treasury stock, at cost: 81 shares at March 31, 2017	(1)
Retained earnings	26,341
Total stockholders' equity	75,879
Total liabilities and stockholders' equity	\$ 999,899

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
(Amounts in thousands)

	Three Months Ended March 31, 2017
Operating activities:	
Net income	\$ 37,271
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation, depletion and amortization	16,931
Amortization of acquired intangibles, net	19,658
Accretion of acquisition-related obligations discount	2,413
Mark-to-market adjustment for warrants derivative liability	(2,160)
Mark-to-market adjustment for acquisition-related obligations	(4,357)
Equity loss in affiliates	1,211
Accretion of asset retirement obligations	5,525
Employee benefit plans, net	1,178
Non-cash loss on extinguishment of debt	13,665
Other, net	2,005
Changes in operating assets and liabilities	42,873
Net cash provided by operating activities	136,213
Investing activities:	
Capital expenditures	(12,878)
Proceeds from sale of property, plant and equipment	250
Capital contribution to equity affiliates	(1,180)
Purchase of additional ownership interest in equity affiliate	(13,293)
Net cash used in investing activities	(27,101)
Financing activities:	
Proceeds from borrowings on debt	396,000
Principal repayments of debt	(356,500)
Principal repayments of capital lease obligations	(223)
Debt issuance costs	(10,389)
Debt extinguishment costs	(25,036)
Principal repayments of notes payable	(305)
Net cash provided by financing activities	3,547
Net increase in cash and cash equivalents	112,659
Cash and cash equivalents at beginning of period	127,948
Cash and cash equivalents at end of period	<u>\$ 240,607</u>
Supplemental cash flow information:	
Cash paid for interest	\$ 20,627
Supplemental disclosure of non-cash investing and financing activities:	
Capital leases and capital financing - equipment	\$ 147
Accrued capital expenditures	<u>\$ 7,799</u>

CONTURA ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Treasury Stock at Cost	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balances, December 31, 2016	10,309	\$ 103	\$ 45,964	\$ 2,087	\$ —	\$ (10,930)	\$ 37,224
Net income	—	—	—	—	—	37,271	37,271
Other comprehensive loss	—	—	—	(71)	—	—	(71)
Stock-based compensation and net issuance of common stock for share vesting	—	—	1,456	—	(1)	—	1,455
Balances, March 31, 2017	10,309	\$ 103	\$ 47,420	\$ 2,016	\$ (1)	\$ 26,341	\$ 75,879